

The Money Gap

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Introduction

I usually avoid books that promise to solve all of my problems. This is not one of those books. This book is a lighthearted discussion on the serious topic of family finances. Too many families would rather avoid the topic. I hope by making the discussion fun and offering you some options, the topic will become more approachable.

This book will answer some family financial problems but hopefully it will get you to ask questions. Today's families face more financial challenges and choices than ever before. Despite the fact that more families have dual incomes, most families seem to have less disposable income than their parents.

Today we have higher expectations on the activities and 'things' that families think they need compared to our parent's generations. Today's parents have a hard time saying 'no' to their kids and there is a lot competition among us to nurture the next prodigy or genius.

This book will discuss if having a family is simply a more expensive enterprise today or is society simply built to spend more money. Or both? Or neither?

❖ By looking at the financial choices our parents made, it will help shape the choices our families make today. Some would argue that the increased costs in having a family are mostly out of your control. I would argue that by asking questions about managing our family finances, we can help ourselves and our children and not continue to go in debt like many of today's governments.

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Chapter 1

The Challenge

More month than money. I knew our spending had to change. I just wasn't sure if I could change it before the creditors got to me first.

Despite my mood, the morning sun was shining through the window. It looked like a beautiful day. I was sitting in our home office working in front of our computer. As I looked at our bank account, I tried to figure out why our expenses were more than our paychecks. Again. This happened at the end of every month. It shouldn't have to be this way.

My wife and I made decent salaries as we both worked for the government. Our home was nice but not extravagant yet we were drowning in debt. Our family was small; we had a 3-year daughter and a beagle that liked to eat us out of house and home. Yes, we spoiled them both but not so much that they should be the cause of all of our debts.

I slowly totaled up our bills for the third time to try to understand what we could cut back on. Groceries—too high but we used coupons when we could. My wife was a huge fan of the 'buy one get one free' sales in the monthly flyers. Mortgage payments—average—interest rates have been so low for the last decade I can't imagine that is the cause our money problems. *After all, isn't a home the best investment you can make?*

I pushed my chair away from the computer. *This isn't getting me anywhere.* Every month, I shook my head at our costs. Every time I got an increase or a raise, I thought we'd get over our debt. But we never did. *How do people with lower income get by? What about single parents? What about families with more kids?* I watched three kids biking down the street, carrying baseball bats and gloves in their hands. It's funny, I spent most of my childhood wishing for the day I would become an adult. Now I spend my adulthood wishing I could be a kid again. *There must be someone I can talk to who could give me some advice. I can't be the only one with these problems.* I slid back in my chair as the phone rang.

"Hello," I answered looking forward to any distraction.

"Hi Billy. How would you guys like to have breakfast with your folks this morning? I'm making homemade waffles!" my mom asked. Now there are two things to tell you about my mom. I prefer my proper name William and my mom knows that but the more I tell her not to call me Billy, the more she uses it. The second thing is that her homemade waffles are to die for. That's why I don't bother to correct her on the first thing.

"I can come but Julie's got soccer so she and Cindy will have to take a rain check."

"Oh that's too bad," she answered and I could hear the disappointment in her voice.

"Is Dad around?" I asked, changing the subject.

"Yes, but I don't know for how long. You know he doesn't wear retirement well."

That was the understatement of the year. My dad, George Stevens, was happiest when he was busy. Busy working, busy playing sports, busy with friends, busy volunteering. You name it. I can honestly say that he's busier now than when he was working.

“Good. I need some financial advice.” I regretted the words the second they left my mouth.

“Oh Billy! Is everything all right? You didn’t lose your job did you? Are you going to lose the house? Does Cindy know?” My mom always assumed the worst.

“No Mom! Nothing’s wrong. I just want some financial advice. You and dad did a great job of raising three kids. Cindy and I struggle with the expenses of one. Maybe he can pass some wisdom on to me.”

“Well you just let us know if you need any money son. We can’t take all of those RRSP’s to the grave with us you know.” *I really should have never opened my mouth.*

“Don’t eat my waffles. I’ll be right over,” I said as I laid the phone back into the cradle.

It’s short drive across town, rarely taking fifteen minutes with no traffic. Brenton is a quiet place, a couple of universities in the south end, which is the most affluent part of the city. Big elm trees line the residential streets and it gave the feeling of quaint town rather than a city. There was little manufacturing in the city, mostly service industries so there was little pollution. Many friends of mine that went out west for work always wished they could come back and retire here some day. It’s a good place to live and I enjoyed living in a city that was close to the ocean. Yet even with pleasant surroundings, it didn’t help me break even at the end of the month.

As I pulled into my folk’s driveway, I saw my dad working on a flowerbed by the side of the house. The man could not stand still; it’s amazing him and mom were well off since I never see him sitting down long enough to handle his finances. He smiled as I stepped out the car.

“About time you got here. I thought I was going to have to eat your waffles,” he said. I got out of my car and walked up the path. As I stepped into the house, I looked around at where my two brothers and I grew up. It was an older home with lots of work required when my folks bought it. Every now and then, I saw black marks on the walls where my brothers and I had played floor hockey when my parents weren’t around. I remembered one time, my brother Tom had hit a rubber ball that bounced off my stick. It deflected off my other brother Phillip before breaking my mom’s glass vase. We must have spent a half hour arguing whose fault it was before mom came home and placed a universal punishment on all of us.

I turned the corner into the kitchen and realized that the stack of waffles on the plate in front of me was the farthest thing from punishment. We both sat down at the table as I looked for some genuine maple syrup. Dad caught my look and reached into the refrigerator.

“You never could use the table syrup. Your tastes are more expensive,” he said as he handed me the bottle.

“Hey, I just like the real thing,” as I stabbed two homemade waffles from the stack and put them on a plate. As I poured the syrup, I noticed that we were alone.

“Where’s Mom?” I asked.

“Upstairs,” Dad pointed to the ceiling. “She felt that we needed some alone time.”

“Did she tell you I wanted some financial advice?” I said in mid bite.

“She might have mentioned something to that effect,” he smiled while taking a drink of coffee. “What’s so important that we couldn’t talk over the phone?”

I pulled my chair closer to him as my knife sliced my waffle into two squares.

“I’m frustrated Dad. I work hard, Julie works hard. We have good jobs but we can’t get ahead. There’s more month than money and I’m tired of always coming up short.”

“Why come to me?” Dad asked. “Hate to disappoint you if you are expecting a big bequest in my will. I’m no millionaire.”

“No, but you and mom are comfortable. You retired young, you raised a good-sized family on one income and you have none of the credit card debt that I have. What’s your secret?”

“Do you really want to know?” he asked. I stopped eating and moved closer as if he was about to give me the password to a room full of gold. My dad laughed as he slid out of his chair. “Your face looks just like my old co-worker, Joseph. Every Wednesday, he would come back from lunch hour with a dozen scratch lottery tickets. He got this blank stare as he sat at his desk. Each time before he scratched his lottery ticket, he looked like a kid right before opening a present at Christmas—waiting for the big score. Every time, he was met with disappointment. When he did win, the gains were never enough to balance out the losses.

“I don’t get it,” I puzzled, “how do I look like him.”

“You don’t,” Dad teased, “but your face has the same look as his as if with the wave of a wand, you are going to find that big score.”

“Hey it doesn’t hurt to dream,” I defended.

“And that’s why lotteries and casinos make so much money. Because people believe with one action, all of their money problems will be solved. The answer to your question is that there is no one thing that will solve your money issues. There is no magic bullet.”

“That’s enlightening, Pop. What are you going to tell me next—that I should just give up?” I must have been getting frustrated because I stopped eating Mom’s waffles.

“You’re letting the Stevens temper get the better of you. I can help but you won’t learn the answer overnight. Are you willing to spend some time with your old Dad? Maybe we can get together once a week and go over a topic of your choice.”

I contemplated his offer as I finished my waffle. “That’s a great idea,” as I put my plate in the dishwasher. “If it can involve food, that would seal the deal.”

“So let’s get this right. I give you financial advice and a meal—what exactly is in it for me?”

“Isn’t helping out your children, reward enough Dad?”

“Ha, Ha. I won’t be your financial guru if I just gave my advice away. How about you make a promise to me?”

“I’m listening,” I answered, wondering what favor I was going to owe him.

“I want you to promise that if we spend this time together that you do three things.”

“Three! I thought this was one favor.”

“Number one,” my Dad continued undeterred. “Don’t just listen—you have to actually follow thru with the advice.”

“Even if I think it is crazy?”

“Especially if it sounds crazy. All I ask is that you try. If it doesn’t work, then don’t try it again.”

“Okay number two.”

“If the advice is helpful, you got to pay it forward. Pass the info along. The best wealth in life is the one you share.”

“Spoken like a true philanthropist. What’s number three?”

“If my advice does improve your financial situation, I expect a supper out for myself and your mom. And it can’t be fast food.”

“Dad—if you can help me out, I will take you and Mom to the best restaurant in town.” My Dad bent over to grab at

something on the counter. “What are you doing with your cell phone?”

“Just seeing if I have a record function? This is too good to waste. Can you speak into the mic?”

“Dad—that’s a camera phone. I’m starting to regret our deal.”

“Joking son. Even when I didn’t have a lot money, it’s important to have a sense of humor. Now what would you like to be our topic for next week?”

“I’ve been thinking about this for awhile. I always marveled on how you and Mom raised the three of us on one salary while I struggle to raise one child on two incomes. I want to know how you did it.”

“I can do that but the answers may surprise you. Same time next week?”

“With Mom’s waffles, I’ll be here early.”

Fun Facts—At the end of each chapter will be a comparison about a product or commodity and how its price has changed over the years.

The GOLD standard

Many have argued that gold is a better valuation than paper money. The dollar fluctuates with the rise and fall of market speculation. Gold tends to be a better investment—usually appreciating over the years and is considered the king of precious metals. Here's how the price of gold has changed over the years

1970—one ounce of gold—\$ 36
1975—one ounce of gold—\$160
1980—one ounce of gold—\$615
1985—one ounce of gold—\$317
1990—one ounce of gold—\$383
1995—one ounce of gold—\$384
2000—one ounce of gold—\$279
2008—one ounce of gold—\$871

Gold crossed the \$1000 threshold in 2009

<http://goldprice.net/historical-gold-prices.php>

If you would have been paid in gold, times would have been good in the 70's but you might not have liked the ups and downs in price during the 80's.

Chapter 2

Single income Vs Dual income earners

Our beagle scratched at the door to come inside the house. The weather was cool and the grass was damp from an overnight shower. The beagle was determined to run by me to jump on the couch. I grabbed her and dried her fur with a towel before she bounded into the living room. My wife Cindy almost knocked me down as she rushed to the door.

“Julie and I will be back from soccer in a couple of hours. Say hi to your parents for me,” as she kissed my cheek.

“You two keep dry—I don’t want to have a couple of sick girls on my hands,” as I waved to them as they walked out to the car. The beagle looked up from the couch with bemused interest.

“Sorry girl. You’ve already had breakfast and I’m about to go have mine. I’ll walk you when I get back.” In response she nestled her head into the cushion of the couch.

Fifteen minutes later, I knocked on the door of my parent’s house.

“Come in,” my dad answered from the backyard. I circled around the house and stepped through the back entrance. Mom and Dad had built a small sunroom in the rear of the house. As

I walked inside, Dad had a coffee and was reading the paper. On the table was a plate of eggs and bacon. Mom's cat Snap eyed the food from an adjoining chair.

"Better get to it soon. I can only protect your breakfast for so long," said Dad.

"Hey it's not waffles, but it definitely looks good," as I grabbed a fork.

"How's your week been?" Dad asked as he put his coffee cup down.

"Good, I had been looking forward to getting together. I'm hoping our talk will better explain my money issues."

"Well I've done a bit of research. Have you thought about today's topic?"

"You bet. I've spent a lot time trying to understand why Cindy and I struggle to maintain our expenses on two incomes when you and Mom did it on one salary. I should be so much further ahead."

"I don't think you're alone in your frustration. Things should be easier, financially for the two of you, not harder." He looked at me and smiled.

"So, are you going to tell me why?" I tried to smile back but mostly I felt confused.

"Well being retired does have its advantages so I was able to research some statistics," he pulled a laptop from a shelf in the back of the room.

"Wow, dad. I didn't even think you knew what the internet was, let alone use it to research."

"Mistake number #1. Just because I'm older, doesn't mean I don't understand things from your generation. In some ways, I understand it more because I can compare it to similarities of my youth."

"You have the floor," I said impressed by Dad's introduction.

“When I was your age, your mom, your brothers and I survived on one salary. The number of dual income households, including common-in-law couples, has increased substantially, from 47% in 1976 to 64% in 2008. In my day, I was able to buy our home and keep you guys out of trouble...”

“For the most part,” I interjected.

“For the most part,” he repeated.

“I couldn’t imagine today surviving on one salary. We would have to give up our home. I just don’t how you did it.”

“Well—that’s mistake number two. You’re not comparing apples to apples. You are comparing your possessions and mine as if they were the same.”

“What do you mean?” I questioned. “We both have a home, a car, go on vacations. What’s the difference?”

“Well, let’s take a closer look at those three things. Let’s start with vacations first.”

“I love vacations! You know Dad when I was growing up; I’d looked forward to our road trips down the east coast. I remember helping you load up the station wagon and all of us meeting our cousins down in Cape Cod.”

“Those were fun trips—your mother would like us to go again sometime with our grandchildren,” answered Dad. “But tell me, what is your typical vacation?”

“Well last year we went to Disney world—it was Cindy’s first visit. She loved it!”

“I imagine you stayed on the resort.”

“Yea, Julie wanted the convenience of being close to the amusement park. It cost a pretty penny but it was worth it.”

“I bet it was. How much did it cost?”

“Probably five grand. How much was our Cape Cod trip?”

“Remember this was over twenty five years ago. It cost your mom about \$500 which seemed a lot back then.”

“Five hundred dollars! Seems like a bargain for the fun that we had.”

“That’s the difference today son. Today’s vacations are much more complex. Even with inflation, gas, food and accommodations costs have gone through the roof. It could cost close to \$500 for a night to stay in a hotel and entertainment in a major city today.”

“Are you telling me that we’re extravagant Dad?”

“No, but people’s tastes for vacations have definitely changed. What used to be a family trip in the station wagon is now a complicated resort trip with all kinds of excursions. You kids were happy if the day’s plan was playing on the beach. Nowadays—I see how you book everything to the last second from meal plans to evening shows. It’s no wonder adults are so busy these days—you learn as kids to micro manage every last second. That assignment of time makes your vacations a lot pricier.”

“I never thought about it that way. Our trip to Disneyworld last year was definitely more expensive than the family road trip. I wonder why we don’t take road trips anymore.”

“Everyone wants to fly now days, even with all the security hassles. And that takes money. Flying down south used to be a special trip, now most of your generation is constantly chasing trips to the Caribbean and beyond.”

“That’s a good point Dad. I have one co-worker who demands that she and her friend fly south every winter for two weeks. But I don’t think her salary can afford it every year but she feels entitled to it.”

“Well I’m sure her credit card company appreciates her entitlement as long as she keeps paying.”

“Okay so our vacations are more complicated and expensive—let’s move on to the second item. What did you want to talk about cars?”

“Well, what kind of car do you drive?”

“I have a SUV and Cindy has Mini van.”

“Did you buy used?”

“No we bought off the lot. Cindy doesn’t want to worry about her vehicle breaking down so we both got full warranties. We work hard and wanted to make sure the family is safe.”

“Do you know how much cars cost today in comparison to forty years ago?”

“No, but I’m got a feeling you’re going to tell me.”

“The average cost of a car in 1970 was about \$3500.”

“\$3500! That’s the repair bill for my car when it rear-ended last year.”

“Well today’s car costs on average of about \$28,000.”

“Wow! Is inflation causing a car price to increase so much?”

“Inflation will take some of the blame but mostly it is what I call the standardization of accessories that car prices have exploded. Features such as air conditioning, high-end stereos and GPS units are increasingly added as standard requirements. A base model during my time is nothing like the base model of cars today.”

“Fair enough. So you’re saying the higher cost of cars is eating away our disposable income?”

“Partly but the cost of maintaining a car has also increased. Today’s cars have so many moving and computer parts to run your vehicle efficiently that they are expensive to repair.”

“I’ll tell you, I dread going to the mechanic. The simplest repairs are hundreds of dollars. Sometimes after I see my bill, I wish I took public transit.”

“You say that but most people are addicted to their cars. Every time gas prices spike, everyone complains but few people will ever give up their cars.”

“So how is this going to help my finances?”

“It may not. I am illustrating why your costs today are so much different than mine. You mentioned that both you and Cindy bought new but that station wagon you and your brothers loved, I bought used.”

“I didn’t remember that.”

“You won’t. It was only a couples years old when I bought and about 40% cheaper because it had few miles on it. Your car is a family’s second largest expense. Trust me; you are spending a lot more maintaining a vehicle than I did especially with one other major cost to operate your car.”

“Something else besides the high costs of repairs?” I said.

“How about insurance?” my dad answered.

“That’s a killer! We pay for comprehensive, which is thousands a year. Its tough but insurance claims have gone through the roof.”

“It wasn’t like that when you kids were growing up,” my dad said. “There was less insanity—if someone got hurt—you didn’t have multi million settlements. Did you know that the average insurance settlement today has skyrocketed in every category from house, life, and automobile and beyond? Today, no one wants to take responsibility if they make a mistake, its ‘I’m hurt. Can someone find me a lawyer?’”

“I know what you mean Dad. How famous is the case where the woman sued for burning herself for spilling coffee. Heck she probably would have sued if it were too cold too. Now we have to print instructions on a coffee cup saying contents are hot because of these idiots.”

“That’s why you’re paying so much for insurance son. The courts have been ridiculous in allowing these cases to proceed and give lavish sums for minor or false injuries. By not doing anything, people have allowed the courts get into this mess.”

“Seriously Dad. What can I do?”

“As an individual, not a heck of a lot. But we should be lobbying our government as a group and asking for a complete overhaul of the legal system. Today’s courts battles last years and favor the person with deeper pockets and stamina rather than the one that is right.”

“I understand what you’re saying Dad, although the insurance companies haven’t done much to endear themselves to me either. They often claim poor because of the huge settlements but in their year-end reports they make huge sums of money. I mean seriously Dad, when is the last time you ever heard of an insurance company going broke.”

“About as often as I hear about a bank going broke, but that’s another story. And it’s easy to blame the insurance companies; they are about making money, which they do very well. We are the ones to blame. Have you noticed how many businesses can’t run anymore because the insurance rates are too high?”

“Yea. We tried to rent kayaks the last month and they had to shut down because the liability insurance was too high. Same goes for a river rafting business, the insurance costs drove the company out of business.”

“And do we expect the insurance companies to act out of the goodness of their heart and drop rates to let businesses to survive. Of course not. We live in a society of people who claim they are victims of minor injuries. Nobody wants to take responsibility for anything they have done. As a result, we’ll go to court over the silliest of things.”

“Whoa Dad,” as I stood up from my chair, “I thought this was a talk about why Cindy and I have less disposable income than your single income. Not a speech on bad government.”

“Sorry son, once you get me started, it’s hard to stop. The point is, I’d didn’t have to deal with this foolishness when you boys were growing up. You and Cindy may make more but your expenses like insurance are making driving a car a luxury. Frankly, I see it getting worse.”

“Okay I see your point. So we covered the first two items—vacations and cars. What did you want to discuss about houses?”

“Well son, if you do some research you’ll probably find one very sad statistic—over the last twenty five years average wages have increased by 3.25 times while house prices have multiplied 8.5 times. 8.5 times! Even when you combine yours and Cindy’s wages, you’re still further behind than when I bought our home.”

“That’s scary Dad.”

“Just think about this stat. In 1970, an average house cost a little under \$24,000. Today, an average house is about \$238,000. What will a house cost when Julie grows up? If the discrepancy keeps growing will it take both incomes plus the grandparent’s income to buy a house?”

“Why Dad? Why has house prices gone up so much faster than wages? What has changed?”

“Well I’ve got some more statistics for you. But first, put this in perspective; see if you can come up with the answer on your own. What do you remember about growing up in this house?” Dad pointed to the walls.

“Hmmm,” I gazed out the window and tried to remember a day well over thirty years ago. “I remember climbing up the ladder on my bunk bed and almost falling on my brother’s head. I remember taking my stick from the garage and playing

road hockey toward the dead-end street. I especially remember playing on the front yard and greeting you when you got back from work.”

“Do kids today have the same experiences? Let’s look at each one of your memories. Think any kids have bunk beds today?”

“No,” I thought, “kids today have their own rooms. I think they would mutiny if they had to share a room with a brother or sister.”

“Think beyond that. What did you and your brother have in your room?”

“Toys, a small desk, a couple of dressers, bunch of superhero posters. Why?”

“Today’s kids have a computer, cell phone, television, digital players and so on. Tell me that doesn’t come cheap?”

“It doesn’t. What about playing road hockey? What does that has to do cost of the house?”

“Hockey didn’t used to cost a lot. And it does my heart good to see a bunch of kids doing something active instead of causing trouble. But the majority of kids today play video games, interactive games, and online games. The monthly subscriptions, game cartridges and machines cost a heck of lot more than a hockey stick or baseball bat. The items in your house have become more complex and expensive.”

“Point taken. But how is my third memory about greeting you a commentary on more expensive houses?”

“Look at people’s homes. All the children’s toys are kept in the back of the home, not the front. We’re so scared of strangers walking away with children that we build bigger fences with expensive security systems to keep people out. Heck, there are even programs where you register your children with special agencies to track them if they get lost. All that costs more money.”

“Ok so we’re more security conscious, we have more gadgets and expensive toys. I don’t see how that means we need two salaries to afford the same house you had.”

“You want to know how we survived as a family on one income? I’ve done a little research on stats. Guess how much of your income goes towards maintaining your home?”

“Well, I’d guess about 20-25% of our income.”

“A little low. Most families spend a third although they’re banks out there willing to lend up 40%. You start spending that much of your money on your house, what do you think happens if you lose your job? You can cut back on a lot of things but you can’t cut back on house payments when you’re unemployed.”

“So how is our house payments divided up? The third of our income doesn’t all go towards mortgage payments and property taxes?”

“No, good point—about 60% goes towards those payments, 30% goes towards utilities and phone costs and 10% goes towards buying appliances and furniture.”

“Okay—so we spend more today to own a house. I get it. But please Dad, a house is the best investment a family can make. You’re not going to tell me to go back to renting?”

“Not at all. My point is simply this. Today’s houses are built bigger. Bigger mortgage payments are going to eat into that dual income of yours.”

“So your argument for increased housing costs is that we have bigger homes?”

“Look at your square footage. Houses today are almost 100% larger than they were thirty years. In the 1940’s the average house size was just 800 square feet. In the 1970’s, homes expanded to about 1100 square feet. Today average’s is between 1800—2000 square feet.”

"I'm just curious where all the kids lived when the houses were 800 square feet," I asked.

"Makes me wonder what the size of a house will be in another thirty years," my dad replied.

"Why have today's home grown in size?"

"Well your homes are much more complex and costly to make. The rooms are bigger, the ceilings higher and your living rooms sunken. Today's home is more sophisticated with security systems, satellite, and internet. By the way, do you remember the bathroom when you were a kid?"

"I remember rushing in the morning to beat everyone else to the shower. It wasn't until you we were older that you added the second bathroom."

"Now flash forward to today's home. Most homes today have at least two bathrooms and many more have three or four bathrooms. Instead of bathrooms, you call them ensuites and somehow jacuzzi baths have become essential. How often do you and Julie use yours?"

"Probably half a dozen times since we moved in. Seem like an important feature when we talked to the realtor."

"That's what the buyer is selling us today. Features—features we didn't even know we needed. Ever wonder how everything you buy today has warranties, extended warranties, and service above and beyond the call of duty. These warranties cost money and people are buying more and more of them for peace of mind."

"You're right. Every time I buy an appliance or an electronic device, they sell these warranties that make you feel you have to take them or you're in trouble if the product breaks down."

"Used to be if you buy something, you'd expect it would last. Now companies make their money on the warranty or service instead of the product. Look at car dealerships—they

make some money on the sale of car but it's the warranty they want. If they can keep you coming into their shop—that's how they really make their money."

"You're right. Pricing on products has gotten a lot more complex. I bought a printer the other day and the ink cartridge was more expensive then the printer."

"Perfect example. The company doesn't make any money on the printer—in some cases it loses money. But you can be sure they make a huge profit on the ink. Son, I think you are starting to understand this week's message."

"Which is?" I said with some puzzlement.

"You can't compare my single income with your dual income. We simply don't have the same costs when I was raising a family. If you compare median spending today, a middle class family with two people into the workforce have about \$1500 *less* for discretionary spending than my one-income a generation ago.

"That's scary Dad!"

"You don't know the half of it. Almost 75 percent of your income is earmarked for recurring monthly expenses. Most of the expensive items—mortgage, car payments, insurance, and tuition—are fixed costs. Families must pay them every month, if one spouse is laid off or needs time to care for a family member; there is no wiggle room to cut back. Today's family have no margin for error and are at a far greater risk than my generation."

"Thanks Dad, you've given me a lot to think about. I may complain about my expenses but a lot has to do with the choices I've made." I shook his hand as I got up to leave. "Today was really helpful."

Here is a summary of today's talk.

Single salary vs. Dual salary—Apples to Oranges

Expenses have changed for couples—2 incomes do not mean they have twice the disposable income

Vacations—no longer a drive in the family station wagon
—vacations are more complex and expensive
—families are traveling greater distances and planning more activities

Cars—cars cost more, they are 8 times more expensive than the 70's

all related expenses cost more from gas to warranties to repair bills and have increased much more than inflation

Homes—couples are building bigger homes
- homes cost 8.5 times more in the last 25 years but wages have only increased 3.5 times
- mortgages and expenses often take 40% of working income

Bottom Line—Today's family, even with inflation, spend far more on their homes, cars and vacations requiring two incomes to support these wants.

Budgeting tips—Ask yourself what you need and what you want. Buying a house and car are the two most expensive lifetime purchases—sit down as a couple and write down the actual features you can't live without and a cost that you can live with.

You do deserve it all but the question is, can you afford it all? Ask yourself one question—if I didn't have this feature or accessory, how would I manage? A bigger house requires higher heating bills, property taxes and maintenance. Maximize your home design or be brutal on tours of new homes—make sure it's the right fit for you.

Try paying for the vacation before you go. It gives you a goal and a better piece of mind if you know the trip is paid for. Start saving for the next trip the day after you return from your last trip—you'll always find ways to save when you have your destination in mind.

A house's equity can fluctuate in price and cars equity drop 30% the moment you drive it off the lot. Treat these costs as expenses and make sure you can afford them over the long run. There's nothing worse than buying a huge house or loaded vehicle which eats up so much of your budget; what will do if you change jobs or are laid off? Don't trap yourself.

Fun Quote:

Always live in the ugliest house on the street—then you don't have to look at it.

David Hockney

Fun Facts—The rise of OIL

Anyone who owns a car or travels knows how much the price affects the cost of traveling.

THE MONEY GAP

1970—barrel of oil—\$ 3

1975—\$ 12

1980—\$ 38

1985—\$ 27

1990—\$ 40

1995—\$ 20

2000—\$ 33

2005—\$ 65

2008—\$139

<http://hubpages.com/hub/The-Evolution-of-Crude-Oil-Prices-Since-1970>

Perhaps in twenty years there will be no barrel of oil comparison since we'll hopefully use other energy sources.

Chapter 3

The Era of Small Families

I loved Saturday mornings and this Saturday was no different. Traffic was light and the few people out walking seemed to be laughing and carrying on. As I drove down the street, I realized that I was looking forward to meeting Dad this morning. Last week was informative; it had given me some ideas to think about. It might not immediately put more money in my pocket, but I was beginning to understand why our family struggled with finances. Maybe these discussions would help me shape my future decisions.

This week was different; we were going to meet Dad's friend at his breakfast place called Sunnyside. Dad felt his friend could add facts to today's topic of large families versus small families. I wondered what experience his friend had.

I pulled into the parking lot. The large number of cars and the line up to get into the restaurant, dispelled the quiet morning. *Heck—I should have got here sooner.* I had resigned myself to stand in line until I saw my Dad wave from inside. I passed though the crowd (an older lady gave me look as if I butted ahead of her) and I motioned to the hostess that I already had a booth.

Next to my dad was a gentleman of about his age, with a shaved head and a silver mustache.

"We just ordered coffee son. I'd like you to meet my friend Ted Brockway," my Dad said. Ted stood up and extended his hand.

"Nice to meet you Billy. Your dad is a good guy."

"Thanks for coming this morning Ted," I answered.

"The pleasure is mine. I wish my daughter took a similar interest in her finances."

"Why, is she struggling?" I asked as I sat down.

"Son, that's kind of personal," Dad said.

"No, George. That's okay," Ted responded. "I think all our children are struggling today with their finances. They make more but running a family is much more expensive enterprise today than it was for our generation. Today's kids want a lot more starting up, sometimes I think it sets them up to fail. They want to have and achieve everything that took your father and me, twenty plus years to obtain."

"So Ted, Dad felt you would be an expert on the topic of large families. What's your experience?" I asked as I drank a hot cup of coffee. It almost fell out of my hand when Ted punched me in the arm.

"George, I like this kid of yours. He doesn't waste any time getting to business." Ted laughed.

"Apple doesn't fall far from the tree," my dad smiled.

"My experience is simple Bill; I grew up with a family of seventeen."

"Seventeen!" I exclaimed. "Sounds like a sitcom. Are you sure you're not joking?"

"I kid you not. I can show you a family picture if you like?" He pulled out a photo out his wallet with a team of boys and girls varying from young adult to very young kids.

"Your mother must have been a remarkable woman," I commented. "How did she look after all of you?"

"I wish I could answer that properly. First of all, I don't think she ever slept. Second, as a middle child, my older brother Wallace supervised me most of the time. When you grow up in a family that large, you learned to chip in."

"It's pretty unusual to hear about families over three kids in today's society so seventeen is pretty amazing," I remarked. "It's funny, when I was growing up, all the sitcoms had big families, *Eight is Enough*, *The Brady Bunch*, *The Waltons*, *The Partridge Family*, and *The Cosby Show*. These days, most families have about two kids."

"It reflects the environment, the family size is decreasing. Today's parents either don't have the energy or the money to raise big families. For the first time, starting in 2006, there are more families without kids than with kids. This also includes couples just starting out that may have kids eventually, but you get the idea," Dad said. "Bottom line, having a big family is definitely out of vogue."

"So let's talk about that," I asked, "I'll give you my reasons for one if Ted can tell us how they did it with seventeen."

"Deal," answered Ted. But first, let's order breakfast. I'm craving some grease."

"You've come to the right place," my dad remarked. The waitress came to our table and we ordered several unhealthy breakfasts with no sign of fruit. As soon as she left, Ted began to tell us his story.

"Our family grew up in a rural community near the south mountains. Apple orchards for as far as the eye could see. My father was a farmer and he worked hard. Very hard. And he expected his kids to do the same. I remember mucking the stalls and milking the cows when I was six. My mom was the matriarch, she made sure that all of us had chores and that we

completed them on time. Everyone pulled his weight. In some ways, we were a business and we survived by contributing.”

“You didn’t feel cheated of your childhood by having to work?” I asked.

“Not at all,” Ted answered. “I still had time for school and friends. And it felt good to help. Today, kids have so much time and options on their hands. It’s not always a good thing. Think about how youth crime as increased. There is more vandalism and kids attacking kids.”

“Wait a second Ted. You’re telling me that today’s smaller families are causing society more harm?”

“That’s a loaded statement if I ever heard one,” replied Ted. “I will say this. Kids today have more time on their hands, more gadgets to play with and more money in their pocket. Are today’s kids more well off than when I was a kid? Absolutely. Because of the size of our family, you bought a set of clothes and shared it with your brothers as you outgrew it. You had set of toys that got passed on kid to kid. Now when I go to my daughters for Christmas, the type of toys that my grandson receives, blows me away. More is spent on him than my whole family got at Christmas.”

“Oh come on Ted. Your whole family?” I said.

“I’m serious. Today’s parents buy gifts like games systems, computers, and cell phones. The cost of these gifts I could only afford as an adult, not receive as a child. Today’s kids have no delayed gratification. They want everything now. And parents are more willing to provide. Heck, when I graduated high school, my parents took me out for supper. Now a days, parents are buying cars and trips to Europe for graduation.”

“You’re right,” my Dad commented. “Retail stores have upped the ante by marketing more expensive goods to children. The advertisements are persistent and so are the children when

they press their parents to buy the products. Young kids often don't know the difference between a television program and a commercial."

"I feel bad," I said. "I fall for it every year and feel guilty if I don't buy the latest toys for Julie."

"When I was growing up," my Dad added, "advertisers used to sell children's products through the parents. Now the opposite is true, children are the focal point for advertising which influences billions of dollars of family spending."

"Retailer advertising is relentless, selling Christmas items before Halloween is even over. As long we keep buying, the stores will keep supplying. And it's not just toys that make family living more expensive," Ted explained.

"I sensing a topic change," I laughed.

"You're right. Let's move to another increased expense in raising kids today, education."

"What do you mean Ted? Are you talking about lunches and after school programs? We pay for Julie's school through our taxes."

"I'll refer to public school expenses in a minute. I'll comment on the fact that a higher percentage of kids today are going to private school than when I was student. Heck, my parents were happy if I finished high school. Today's parents want them to be successful at grade one. Did you know the average private school cost is the same as university tuition?"

"I know," I responded sheepishly, "Cindy and I looked at the prices before settling on public school for our little girl. We might have done it but the private schools in the area were too much for us to afford."

"And what results were you looking for?" my Dad chimed in.

"Depends on which private school brochure you're reading," Ted smiled. "No two private schools are alike. They can be same

sex or co-ed, religious, alternative, different languages. They vary in size from as few as 20 students to more than 1,000.”

“Are private schools guaranteed to have a more successful child?”

“The evidence supports their claims. Overall at private schools, class size is definitely smaller and better student to teacher ratio usually translates into better test scores. Private schools tend to have less bureaucracy and can respond more quickly to current teaching techniques. Parents tend to more active and student scores are higher than average at public schools.”

“Now those results seem a little misleading,” my dad corrected. “Remember private schools have some very motivated parents and students—public schools include all students, even the ones that don’t want to be there. In some ways, it’s a bit unfair to compare both because there is no way public school students could score higher than private.”

“Fair enough,” Ted countered. “Let’s compare the advantages of public schools. In most cases, the teachers have more qualifications and better education. Public schools tend to pay higher salaries and attract better teachers as a result. Public schools tend to spend more time on the core subjects like Math and science than private schools. Because of their size, public schools can sponsor more extracurricular sports and clubs. I remember when I was growing up that kids from a nearby private school came to our gymnasium for karate practice since they didn’t have that resource. Finally public schools tend to be more diverse and a better reflection of the people you’ll meet in the workforce.”

“So are you telling me that private schools aren’t worth the cost?” I asked.

“I don’t know. I just know that growing up with a big family, sending a kid to private school wasn’t an option. Today’s tuition costs anywhere from \$5,000—\$30,000 per school year per child. More and more parents are paying this and private schools are springing up everywhere. When parents cry poor while paying these tuitions, I have to laugh.”

“I hear you Ted. It’s just that I want my little girl kid to have everything I didn’t have as a kid. I just want her to be happy and successful.”

“Trust me—she will be. Now public schools aren’t as free as they used. A lot of the meal plans cost money as well the pressure on students to raise money for class trips. I remember being thrilled when I raised twenty dollars for our baseball team to play at a tournament. Kids today sometimes have to raise thousands of dollars in series of fundraising events. It adds a lot pressure for kids to find ways to raise money. I applaud the effort kids make, but many parents are left to make up the difference if the full amount isn’t raised by the deadline.”

Just then our breakfast plates arrived, the smell of the bacon overpowered our need to talk.

“Let’s eat!” my father said. For several minutes our table was silent except for the clanging of forks off the plates.

“How is it?” Ted asked me regarding my breakfast.

“Tasty, but still not as good as my mom’s waffles,” I answered.

“Spoken like a true son,” my dad smiled.

“Actually Dad, something you said earlier got me thinking. Why do you think there are more families today without children?”

“Well, the stat is bit misleading since it counts couples that are married that are planning to have kids. But the point is this, many adults don’t see the need for children like they used

to. In my day, the only couples without kids were ones that couldn't conceive. In my opinion, many young professionals are concerned about their jobs more than having children."

"There is definitely some truth to that Dad. I have friends who have decided not to have kids. They spend their money on traveling and nice cars. They figure they couldn't do half the things they do if they had children. I don't even know how expensive a kid is."

"\$286,050," Ted answered while finishing his orange juice.

"Where did that come from," I asked? "Are you guys just pulling these stats out of thin air?"

"Depends on what on what government study you read. One study calculated the cost of raising a child from birth to eighteen and came up with \$286,050 for a middle-income family. It costs a lot more to raise a child today than when I was born. And that doesn't even touch college tuition," Ted commented.

"Wow! I bet it didn't cost that for you and all of your siblings," I said.

"No, the cost of raising a kid has become very expensive and has definably reduced the want to have a big family. Sometimes the need for children at all. But there are other factors for small families."

"Such as?" I asked.

"Well, one big factor would be that couples are getting married much later in life. When my parents married, they were still teenagers. When I got married to my wife Silvia, we were in our mid twenties."

"When I married Cindy, although we had been going out for awhile, we were in our thirties. Guess marriage is much more serious commitment these days?" I offered.

"Well," my dad laughed at my comment, "I think marriage isn't as important anymore. There are a lot more people living

common law that simply don't see the need to spend lavish amounts of money for a piece of paper."

"Very true," Ted raised his finger as if thinking of another point. "In fact, since couples are waiting later in life to start families, the ability to have a larger family is taken away. When my mom had my eldest brother at seventeen years old, she had a good twenty years to build our family."

"I think it's more than having a shorter span to have children," I commented. When you hit your thirties, you have less energy, raising children seems a lot harder. I don't want to be the oldest dad at the soccer field."

"All true but there are also other factors that are contributing to smaller families," Ted pointed out. "There have been a lot of studies showing a decline in marital satisfaction after the first child."

"I can vouch for that. Cindy and I fought like dogs for the first year. There were times when I'm sure both of us felt like calling it quits," I responded.

"Your generation is much different than ours son. Today's parents are much more invested in their careers and the stress is much greater to succeed. Not to sound cliché but life was simpler when your mom and I raised you."

"Another point George, and your family is an exception, is that most couples don't get much help from their extended families. In today's culture, people are less likely to raise their children in the same town as the rest of their family. Most of my siblings stayed in the same community with me and raised their families. Today's parents are moving around because of work, it's more likely to have family in another part of the country. Because of this change, it's harder to find family to help with babysitting chores and parents are more likely to pay for this help."

“Without the family support, marital tension is high. Many couples feel that the baby is the source of their arguments. The risky time period is usually the first three years after the baby is born. Many couples just have one.”

“I have a friend,” I mentioned as I finished my coffee, “who swears that having two children is more than twice the work. The problem he finds is that with one kid, each parent can take a break. With two, there are no breaks. With three, they outnumber you and it’s hard to manage all of their needs. With your seventeen siblings Ted, I’m sure every older brother or sister was acting like a parent.”

“True enough. And look at the increase of single parents today. In the 60’s, less than 10% came from single families. With the increase of divorce and unmarried mothers, the percentage is closer to 30% now. For these families, one is enough.”

“Ted, let me ask you one more thing,” as I signaled for our checks. “Do you believe in the idea that every child should have a sibling?”

“Well—I don’t know if I’m qualified to answer that. Speaking from experience, I love my brothers and sisters, as I’m sure you do. But at the same time, my best friend was not my brother. And I had lots of good friends growing up that were outside of family. So do you need a sibling to have company growing up? Not necessarily, today’s children are much more involved in social activities from daycare to sports to clubs. Kids will always find ways to grow and have fun, not having a brother or sister won’t prevent that. Recent studies show that single children actually have a better chance to succeed than children in larger families. I think it’s because parents focus on a single child and the expectations are higher.”

“Ted, thanks so much for your time. I really appreciate your insight.” I took his bill before he could protest.

“No worries,” as he patted me on the back. “I’m happy to help our younger generation. You seem to have a bigger burden to carry than me or your Dad had at your age.”

As Ted and my Dad left, I reflected on what we had talked about...

Here is a summary of today’s talk.

Only child vs. Multiple children

Parents today spend a lot more per capita for their children. Many expenses related to education and recreational have increased astronomically.

Today’s children have higher expectations, wanting items that parents used to get when becoming adults. Wants have become needs.

The cost to raise a child from birth to eighteen is \$286,050 (and climbing).

Advantages of Private school—Class size smaller, better test scores, less bureaucracy, respond more quickly to teaching techniques, parents tend to more active.

Advantages of Public school—Teachers have more qualifications, higher salaries that attract better teachers, spend more time on the core subjects like math and science, sponsor more extracurricular sports and club, more diverse students.

Less family support today—extended family is more spread out because of jobs. Need to depend on babysitters and friends of the family more often.

Bottom Line—Fewer children does not mean more income for parents. Today's parents spend more on their children's needs and that has become society's expectation.

Budgeting Tips: Children deserve to contribute to the family—it's never too young to teach children the importance of money. Allowances are a good tool to teach the importance of money if the tasks match. Children should help with younger siblings from reusing clothes, toys and assistance from meals to cleaning.

It's more important than ever for couples to have a long talk about the costs of multiple children. The decision has never been more costly and can become a huge issue if both parents are not prepared for the additional cost. Having one and done (or none) is not unusual today and makes sense if your monetary goals include different priorities.

Fun Quote:

In a big family the first child is kind of like the first pancake. If it's not perfect, that's okay, there are a lot more coming along.
Antonin Scalia

Fun Facts—The cost of CARS

Unless you have a classic car or truck, automobiles are a poor investment. The ability to afford a car with low interest and payment conditions has never been easier. Let's see what the average cost of a new car has been.

In 1908, Henry Ford offered his first Model T for \$850 equivalent to two years wages. There weren't many buyers, today cars are bit more affordable.

1970—average car cost (combining domestic and imports)\$
3500

1975—\$ 4950

1980—\$ 7500

1985—\$ 11800

1990—\$ 15000

1995—\$ 18000

2000—\$ 20400

2008—\$ 28400

Note—these amounts are American, average care price in Canada tends to be \$4000 more.

<http://www.ftc.gov/bcp/edu/pubs/consumer/autos/aut11.shtm>

<http://www.auto123.com/en/news/car-news/average-new-vehicle-prices-by-province?artid=58199>

Cars have gotten more expensive, but the number of features and accessories is definitely a driving force.

Chapter 4

A Child's Education

I leaned back in my chair and watched our beagle run around the yard below. The house was quiet again as Cindy and Julie had just left for soccer. As I looked over our bills, part of last weekend's conversation seemed to stick in my mind.

So many of these expenses are for my daughter. Sports, braces, I've seen older grades even go on a band trip to Europe. Today's kids have to fundraise thousands of, dollars for trips and a lot of times, the parents have to get involved too. I remember having to raise \$20 for my hockey team to play in another town. Today's kids are going across the world. I'm beginning to see why some of our expenses are high, if only I don't have to say 'no' to my daughter.

The phone interrupted my thoughts.

"Hello," I answered.

"Hi dear," my mom replied. "Just wondering when you are dropping by this morning."

"Let Dad know that I'm heading over now," as I reached for my jacket and keys.

"We'll be waiting for you," she responded.

Fifteen minutes later, I was standing at the front of their house. I raised my hand to knock on the door as it opened in front me.

“Hi Mom. Is Dad in the kitchen?” I asked.

“Your father stepped out for a few minutes.”

“Oh,” I was confused. “Did he forget this morning’s talk with me?”

“Not at all dear. I’ll be subbing in for him for this week’s topic.”

“Okay. Dad didn’t tell me what we were going to discuss. Are you going to explain everything to me?”

“All too well. And guess what dear?”

“What?”

“I made a fresh supply of waffles just for you.”

After stacking several waffles on a plate, I looked up into my mother’s smiling face. I passed the maple syrup to her.

“No thanks dear. I’ve already eaten,” she replied. Julie came skipping into the room and sat at the table pulling out a box of crayolas.

“My daughter is at today’s session?” I question incredulously. “I know my financial information has been lacking but how is my little five year old girl going to teach me to save money?”

“Julie is here this morning because she is the subject matter is—kids today vs. when you were a child.”

“Hi Daddie,” my beautiful daughter replied while coloring a purple fish from amongst a number of coloring books.

“I’m happy to have my granddaughter near me for any reason and this seemed as good as any. Shall we begin?”

“Sure Mom. So why are you delivering today’s topic it instead of Dad?”

“Well dear, your father felt that I had more expertise in this area than he did. And you know how much he wants you to learn.”

“Did he tell you that we met his friend Ted last week?”

“Yes, although I think I would commit myself if I had seventeen children. It was enough to handle you and your brothers. Not that I didn’t love you all dearly,” she smiled.

“I never doubted it,” I replied.

“This morning, we’ll discuss how the costs of raising a child costs have changed. I believe your father and Ted may have started the conversation. I’ll start by going over the cost of daycare versus stay at home Mom costs. When you were born, it never entered my mind that I wouldn’t stay at home with you and your brothers. It was pretty rare during my day for a woman to be working and raising her children. Daycares were few and your father made enough to support us.”

“Are you disappointed that Cindy works and that we put Julie in daycare?” I asked.

“Not at all son. I’m very proud of her and frankly I’m a bit envious. But times are different now and I understand her need to work. But I also understand the strain this puts on the two of you and not just financially.”

“I know. Sometimes the two of us are so tired that it’s difficult to spend time as a family and unwind from work. Having Julie in daycare isn’t cheap, do you know how much we pay?”

“Well your father asked me to do some research, so I have a good idea. Typical costs vary between \$25 and \$35 per day at most licensed facilities. And there are always costs for trips, music classes and other extras. Basically you are looking at \$600 to \$700 per month per child.”

“You’re right about the amount per child. If we ever had a second child, it almost doesn’t make sense for both of us to keep working. The savings won’t be that great and most of the money from one of our salaries would go to the daycare.”

“Imagine if you were a single mother, son. Based on tax returns, about 28% of families are single income.”

“You mean single parent—don’t you want to be politically correct?”

“I could but the statistics prove that the majority of single parents, about 85%, are mothers.”

“Wow, mom, you know you’re stuff. This is your topic, continue.”

“Child care spaces have grown considerable—did you know that between today and the early nineties, the number of child care spaces has doubled. Raising a child is an expensive task, in 2004, it cost over \$10,000 to raise a child to age 1. Parents spend less by the time their children reach twelve—close to \$7000 a year—but children get more expensive again as they go through their teenage years.”

“Cars and college—look out,” I responded.

“Exactly. Think of how many vacations you could have taken with that money.”

“It’s tempting but no vacation is worth the experience that my daughter gives.”

“Spoken like a true parent. Now daycares aren’t cheap but provide a great experience for your child. Each day they meet other children, have physical activities, some have musical classes, good nutritional lunches and snacks...”

“I’ve seen the menus—they have better meals than I do.”

“Parents complain about the cost but daycares aren’t making a lot of money—some are not for profit. For the important work

they do, the staff get paid minimal, sometimes no better than minimum wage.”

“We certainly wouldn’t pay our public school teachers such a low wage,” I added.

“But the teacher—child ratio is much different for daycare. Usually the numbers start 3 to 1 and increase 6 to 1, as the child grows older. Public schools usually have a ration of 1 to 25.”

“Okay. I certainly don’t want a daycare teacher to handle more than six kids. So based on that ratio, their wage is always going to be low even though the work they do is important.”

“There has been correlation that daycare is very beneficial to a child’s development. Increased sociability, better counting skills, increased reading ability. .”

“Increased colds,” I joked.

“It actually gives them a leg up on all the colds they will get when they start grade primary anyway. They are just building up their immunity at an earlier age.”

“You’re sounding like a supporter of daycare Mom.”

“Well, I loved raising all three of you boys at home. We did lots of fun things together but I think couples took the cost for granted because I stayed home. It’s much easier to look at the daycare costs and say they are too high but frankly most working professionals can’t afford to stay at home.”

“So why is it so much harder for single income families to survive today? What has changed from when I was kid?”

“Well single income families are alive and well—and make up a greater percentage of families than when I was raising you. It is tough, but sacrifices can be made so that one parent can stay home. In some of these relationships, if one income is high, then the couple has an option for one parent to stay home. It’s not just females anymore. The stigma for males to

stay home has decreased and increasingly, couples are making that decision.”

“I agree, I have some friends where the husband looks after the child.”

“We are becoming more progressive. However, many couples don’t have the luxury of one spouse being a high income earner and tough decisions have to be made. A smaller home, one car instead of two, less elaborate vacations, can help reduce a budget to make a family work on one income.”

“I guess that’s my problem Mom. Having being used to two incomes, I can’t imagine going back.”

“But that’s the problem son with most families today. We confuse wants with needs. You have a big house, you have two cars. It would be hard for you to move into a smaller house. But you and Cindy could do it if you had to. It’s all about choices. I think one of things you need to learn that daycare is both a blessing and a curse. It’s a blessing because it allows your daughter a great opportunity to interact with other children and a great opportunity for both of you to succeed at your careers. It’s also a curse because it comes with a price—both financially and time lost with your children.”

“That’s the choice that most families are making. I love Julie and there are times I think it would be great to stay home with her. I also think she would get bored with me. But I love picking her up at daycare and meeting her friends. And our evening and weekend time is filled with fun.”

“Was it so hard to spend time at home with dear old mom?” My mom twisted her head and gave me an inquisitive look.

“Not at all. I appreciated my time with you, Mom and growing up at home with my brothers. All the fun places you took us—the library, the park. I wouldn’t trade those experiences for the world.”

“Neither would I, son. I enjoyed raising the three of you. Even though there were times I as ready to throttle you boys sometimes,” she smiled sarcastically. “I wouldn’t trade it for the world.”

“You sure you’re not just saying what I want to hear?” I asked

“No, but thirty years ago, things were different. If I had the same choices today back then, I might have chosen differently. The biggest thing you have to realize is that two incomes doesn’t mean twice the disposable income.”

“Fair enough. But once Julie is of school age, I’ll have a lot more income once daycare costs end.”

“That’s a mistake many couples make son. Yes, you will save money but you’re not realizing other expenses. What are you going to do when primary ends at 2pm?”

“Well, we were looking at after school programs.”

“Son, in many schools you have to pay for lunch programs where kids have to be supervised by volunteer parents. Just because you pay taxes for education, there are lots of other costs. You have a lot of fundraising ahead of you for Julie!”

“Don’t I know it! I’ve heard from parents with kids already in school. They seem to have events every month.”

“A lot has changed son. I love our education system but things seemed a lot simpler when you boys were in school. Today’s parents put so much pressure on their young children to succeed. And it’s a worldwide phenomenon. If you go to Japan, many students study before and after school just to make high enough scores to get into the good schools later in their life. They are competing from a very young age.

“North America is not much better. Companies are selling education products to two year olds from DVD’s to computer games. It’s a huge market,” I commented.

“When you were two, son, I was just happy that you were walking. The expectations you have on your children today overwhelms us grandparents. Your work ethic carries over to them—I can’t go to a fast food restaurant or department store without seeing young kids working. They need the money to pay for all the items and activities that kids are involved in. Watching Julie now, I am apprehensive about her future. I can only imagine what your fears will be like when she graduates high school.

“That’s a good point Mom. You should see the ads for education trusts for children mom. They play on your guilt to put money into a trust fund now or you fear they’ll never afford university.

“It didn’t seem so scary when you boys wanted to go to university. Your dad put some money aside and borrowed some money for your first year.”

“And the two of you consigned my student loan, I remember.”

“Well, university tuition has tripled since 1990 and an average textbook costs hundreds of dollars and living expenses have gone through the roof. I don’t know how students can afford to pay back their student loans now. The loan repayments are the size of a small mortgage. With the fact that a university degree doesn’t always guarantee a high paying job, we’ve crippling the newly employed before they start.

“I have heard of students with loans of over \$40,000 when they graduate.”

“And you’re surprised that you and Cindy are struggling financially. Remember your Dad didn’t have a student loan when he left trade school and he had employment the day he left. How much did you and Cindy have in student loans when you graduated?”

“I only had about \$15,000 but Cindy had closer to \$25,000. It took ten years to pay that off.”

“That’s about typical now with kids graduating, an average in Canada is \$27,000. That’s more than double the average of twenty years ago. When kids graduate now they have a whole new set of problems besides finding a job. With their high student debt, they are paying huge monthly payments of hundreds of dollars. Some students have to cut back on everything, crippling their ability to buy a house or a car. There are even collection agencies chasing students with full time jobs and who are making payments. Parents end up assisting from everywhere from buying a user car, helping pay debts. Some families in big cities decide to buy a home together because they can’t afford one on their own. There are many examples of parents living on one floor with their kids and boyfriend/girlfriend living on another floor.”

“I never realized how disadvantaged students are today when they graduate with a secondary degree.

“Bright kids are staying in school longer and adding debt because they can’t find a job in today’s market. Some young people have given up. There’s an intergenerational imbalance happening—the bulge of baby boomers in established positions and young people who can’t find work. They’re calling this group, ‘Generation Screwed.’”

“Son, imagine if you hadn’t that debt. How much further financially would you have been?”

“But I wouldn’t be Mom. I had to have my education to get my job. I had to spend that money—the job market is so competitive now. Lots have people I have worked with are going back to school for added designations and accreditation. It’s the only way to get promoted.”

“So the job market has changed. It costs a lot more to get employed and parents should be concerned about their child’s education. Are you beginning to see why it’s not fair to compare your generation to ours now?”

“I am Mom. I have been comparing raising a child in a different time. The job market is no longer the same and it’s created a market where parents will spend inordinate amounts of money to make sure their children are well educated.” I turned as Julie placed a color drawing on the table in front of me. It was a beautiful picture of our home with our beagle digging up the front yard. Myself, Cindy and Julie were playing in a wading pool. The picture didn’t involve money just love of family.

“You remind me what it’s all about sweetheart.” I kissed her on the forehead. Julie smiled and then she skipped into the next room.

“Mom, I can’t thank you enough for your talk.”

“Now son, you’ll tell me if you need help won’t you.”

“You bet I will Mom. For now, your advice and love is all I need.”

Here is a summary of today’s talk.

The cost of paying for a child’s education today vs. a generation ago.

Cost of daycare is expensive—some couples with two kids may not be saving much by two incomes. Despite the cost, daycare workers are underpaid for the work they provide.

Raising a child is an expensive task, over \$10,000 to raise a child to age 1. Parents spend \$7000 a year until age twelve—

but children get more expensive again as they go through their teenage years.

Education doesn't end with public school—today's student usually needs secondary school to succeed. Student loans put the young at a disadvantage when they start in the work place.

Bottom Line—Increased pressure for kids to succeed comes with a large price tag from daycare until secondary education.

Budget Tips: Have a frank conversation about daycare vs. staying home if you have more than one child. Often the time frame isn't too long before the oldest goes to school—will it be easy for the spouse staying home to go back into the labor force?

Discuss setting up a registered education savings plan. A secondary degree or trade will cost money and the best gift you can give your child is the money that will help pay for their education. Even if it doesn't pay for the whole degree or diploma, it will teach them the value of money when they have to determine how to spend it.

Fun Quote:

Money is like manure; it's not worth a thing unless it's spread around encouraging young things to grow.

Thorton Wilder

Fun Facts—The cost of HOMES

Homes have always been a great investment but a lot depends on location and the type of home you build. Pools usually decrease the price of a home (more maintenance and many non pool users) while an additional bathroom or nice backyard can increase your asking price. Excluding the fact that homes have gotten bigger, here's the average cost of homes.

1970—average median house price (U.S.)\$ 23,400

1975—\$ 39,300

1980—\$ 64,600

1985—\$ 84,300

1990—\$ 122,900

1995—\$ 133,900

2000—\$ 169,000

2004—\$ 221,000

<http://therealreturns.blogspot.com/2005/08/us-median-house-price.html>

Chapter 5

Why does everyone need a 2nd job?

After I knocked on my parents' door for the third time, I was startled by a voice behind me.

"I don't think they're home right now," the voice said.

As I turned around I saw a row of red rose bushes. Since shrubs aren't known for their ability to speak, I assumed the most likely alternative.

"Hi Mrs. Deveau. How is your flower garden coming?" I asked. A sweet older lady with a straw hat popped out from the right side of a rose bush. I had known Mrs. Deveau as a young boy and she was in many ways part of the family. I remember one time when she had rented her house out to a television production company. They had filmed in her house for close to a week. Every day, Mrs. Deveau had carried herself as she was one of the stars wearing big sunglasses and garish clothes. She was a big character and we all loved her eclectic soul.

"Aphids Billy! Aphids! They are trying to eat my roses down to the stem. Little do these green monsters realize that I have a home remedy that will chase them off." She stirred something in a pot; as the breeze shifted, I smelled a noxious gruel.

"You know you can buy something at the garden center," I said swishing the smell away from me."

"Poppycock!" she exclaimed powerfully. "Those chemicals will rot our environment. Besides my remedy won't kill the

aphids, it will just keep them off of my beautiful roses.” I looked at my mom’s flower garden as their next potential victim.

“Did you see where my Mom and Dad went?” I asked.

“Farmer’s market—left about twenty minutes ago. Said they be gone a couple of hours.”

“That’s strange,” I said. “They knew I was coming by for my weekly breakfast and talk.”

“Oh they didn’t forget dear. They just recruited a different teacher for this week’s lesson. Come with me,” she motioned with a gloved hand. I followed obediently trying to understand the change in plans. As I stepped into the gazebo, I realized all had been planned as a stack of Mom’s waffles lay on a plate.

“Mom put you up to this?” as I sat down.

“They both did, Billy. Now are you sure I can’t entice you with some fresh fruit with your waffles?” I loved my waffles plain except with real butter and maple syrup.

“Maybe later,” I lied not wanting to hurt her feelings.

“It’s quite the project you and father have going on. Makes me think you should write a book on it,” she smiled.

“Maybe at the end of these lectures, once I figure out what decisions I have to make. Dad said this week was about working a second job and setting up your own business. Do you have expertise in this area?”

“I might know a thing or two about that,” she smiled. She opened a cupboard and a dozens of colorful bottles stood out. “Did you know many people today have a second sideline business aside from their fulltime employer? When I was your age, people worked and when they came home, the workday was over. Now I watch my children check their blackberries for messages when they go to bed, take phone calls from work during supper and relating to today’s topic, run a business from home.”

“It’s true, I know Cindy has been invited to parties on everything from makeup to nutritional pills to lingerie. I’m surprised that she hasn’t gone into business herself.”

“Maybe she will. Someday you’ll arrive home and she have several boxes of product to sell.”

“Maybe,” I smiled uneasily at the thought of a dozen females invading our house. *I probably should have a talk with her.* “So what are the top part time businesses?”

“Glad you asked,” Ms. Deveau responded. She pulled out some papers that looked like she had printed from her computer.

“There are many products being sold from home including cosmetics, financial services, household items, cleaning supplies, nutritional supplements, clothes such as underwear and lingerie, security products and so on. Many people are having product parties at their home to sell to their friends and neighbors. That doesn’t include the type of things that people do as an extension of their skills from work such as teaching musical lessons, babysitting, accounting, IT services to name a few.”

“So why do we feel so compelled for 2nd businesses when couples are making more money than ever?” I asked.

“Well Billy, you may be making more money but you’re spending it just as quick. People don’t save today. They spend their money as soon as it comes in the door.”

“So basically you’re saying that despite our increased wealth, we have less disposable income.”

“Correct, and this is frustrating many couples who want more for themselves and their family.”

“And as a society, are willing to give up more of our recreational time to get the money?”

“In increasing numbers. No wonder everyone complains about being tired and having no time. You are working

yourselves to death. When I was your age, work—life balance was equal, nowadays everyone is chasing the all mighty dollar.”

“It’s true. You don’t know how many people have tried to set me up with those pyramid schemes. It’s always a get rich quick scheme that can’t miss.”

“Now to be fair, a lot of these second businesses aren’t schemes. Pyramids are an illegal way to conduct business where the money comes from the ones at the bottom of the pyramid finances to the few at the top. People have caught on to these schemes. Today the buzz word is multilevel marketing.”

“What does that mean? Isn’t it the same thing?”

“Hardly. Multilevel marketing or network marketing is a way to remove the middleman. Companies market straight to the consumer by using a mobile sale force of part-timers. People make money by commissions by how much they sell. So you make as little or as much as you want. They also make money for the sales of other promoters that they introduce to the company. The recruiting of other sellers is what makes this enterprise unique. If you can get in early and the products are something people want to buy, you can do well.”

“Isn’t that a pyramid scheme?”

“No it’s not. Pyramid schemes gain commissions from recruiting new members using sign-up fees. The fees are what drive the profits and the company usually comes crashing down when there are no more recruits.”

“Okay so are multilevel companies real businesses or are they a ploy by companies to sell more products?”

“They are legitimate business which like anything, takes a lot of time and energy. You have to have the ability to use your network of friends, plan parties and be an outgoing seller of your products to be successful.”

“But how long does that take?” I asked.

“You know how long it takes an entrepreneur to develop his/her business fulltime? Usually three to five years. Imagine the challenge to someone doing it part-time.”

“I hate the idea of selling to friends. I’ve had some old classmate call me out of the blue only to find out that he wanted to sell me something. Needless to say it didn’t rekindle any old friendships.”

“Multilevel marketing is just one way people are setting up their own companies.”

“What are some of the other types of businesses people are setting up?”

“Many people are taking their interests or hobbies turning them into a part-time business. It’s easier to make a business successful if it’s something you know or enjoy. It can be photography or cooking, security or art, it literally can be anything you think of. You’d be surprised at the innovative ideas people come up with.”

“I don’t normally read much about people succeeding in their own business in the newspaper.”

“The news focuses the huge manufacturing layouts of hundreds and thousands of employees. But what the media tends to ignore is that many small businesses make the majority of jobs in our economy.”

“What’s considered a small business,” I asked.

“Any company fewer than five hundred staff. In the construction industry, this is 80% of the companies. In real estate, professional services, health, entertainment and accommodation and food, over 50% of the companies are small. A lot of these small businesses get their starts from people’s part-time businesses.”

“I didn’t know that. Why does the media concentrate on stories about tax breaks or bailouts to the big companies?”

“Easy. Politics. It sounds like a big number and politicians don’t want to seem like they’re not doing anything for the economy. If they looked beyond their political future and made some decisions that wouldn’t have immediate effects, they could make a real change.”

“Mrs. Deveau, are you running for government?” I teased.

“Never Billy. But I may have gone a bit off topic. It’s hard when you see government making the same choices term after term.”

“Okay let’s get back to your point. Because families are taking second jobs is it eating up their recreational time and adding more stress to their relationships?”

“Sometimes but it is far from absolute. Work—life balances can still be maintained and starting part-time businesses can provide a lot of great experiences. For example, it teaches you how to manage money, make professional contacts, and coordinate sales. Unfortunately, today’s work life seems to create higher stress than when I was your age. Adding a business on top of it may lead to greater relationship issues and worse, a dependence on the part-time business to manage finances. It becomes increasingly stressful if the part-time job becomes a source of extra income that is needed to keep your family finances afloat. You can literally become a victim of your own success.”

“So are you telling me that couples shouldn’t try to supplement their income?”

“Not at all. But make sure you set up the business for the right reasons. If your only reason is to make money, then when sales are slow, the motivation to keep going will dwindle. If you love what you do, then you’ll get through the slow times.”

“Makes sense,” I added.

“Another great reason to run your own business is the ability to write off expenses. You have to operate a car, use a phone, buy a computer, use the internet—why not find a way to help pay for those expenses. If you register the company, you’ll find the taxes on a business lower than your personal taxes.”

“Does a difference in taxes really make a difference?” I asked.

“Let me answer your question with a question. Do you think taxes have increased or decreased in the last forty years?”

“Probably increased,” I smirked at the easy question.

“You’re right. Now can you tell me by what percentage?” Mrs. Deveau asked as my smirk disappeared.

“Ahh—50%.”

“Remember we’re not just talking about personal taxes and taxes you pay on goods.”

“Okay—75%.”

“Do you know that you pay taxes to your country, your province/state and your town?”

“90%?”

“Do you know every time you travel from road tolls to gas surcharge for flying, you are paying another tax.”

“Are we talking 100% increase?”

“Remember almost all the money you pay on alcohol and gas is tax.”

“Mrs. Deveau—I don’t know!”

“Relax Billy—I just wanted to make the point hit home. Taxes have gone up over a 1000% since 1961. Frankly—with the way costs keep escalating, I bet taxes keep increasing. And it’s not the personal taxes or state/provincial taxes that will get you—it’s all of the hidden taxes and surcharges that are creeping their way into your lives. Tax laws are made to steer you into

making a certain decision and if you don't make that decision, you pay dearly for it."

"Are you trying to tell me that one of the reasons that families today have less money today than thirty years ago is because of the increase in taxes?"

"Well Billy, you do the math. 1000% is a lot more tax. Try to think of a good or service that doesn't have a tax applied to it. Some have more than one. If you buy tickets for a concert, they add surcharges on top of the tax. If you buy airline tickets, you pay gasoline and airport surcharges on top of the taxes. I hate to think what you're children will have to pay in taxes if the government doesn't get a handle on its costs of doing business."

"Is a business the only way to make more money for your family?"

"Of course not, Billy. In fact, lots of professionals with decent salaries work more hours to supplement their income. There are nurses working extra shifts, policeman making extra cash as security, or teachers working summer school. The list is endless and those are jobs that you would think people are already making enough money at already. Other people with fulltime jobs already work second jobs in restaurants and retail to make ends meet. The risks are much less than a business but so are the potential rewards."

"So do we need to work second jobs to survive and pay our bills?"

"It's really about choices and how important some of the material items you feel you must have. Sometimes we get so caught up in getting the fastest car or the biggest house, we forget how much time we must sacrifice working to earn the money to buy it."

"I guess people don't want to have any regrets," I said.

“The wisest thing my father said on his deathbed, is that the only thing you wish more of is time. No one wishes they could work more.”

“Must have been a wise man,” I said.

“Very much. So if you don’t enjoy your part-time enterprise, then you are setting up yourself for disaster from the start. The lure of money is great, but no one is going to hand it to you without a lot of hard work. You better enjoy it, starting a business off a hobby or strength of yours is a better foundation than just wanting more money.”

“You have been really helpful, Ms. Deveau. How do you know so much about a part-time business?” I asked as I got up from the table to leave.

“Billy—I run a greenhouse with a friend of mine that grows roses for a lot of the florists in town. I’m surprised you haven’t noticed my affinity for roses before.”

“I’m starting to see a lot more these days,” I laughed.

Here is a summary of today’s talk.

2nd/part time jobs vs. one job

There are an increasing number of people starting part time businesses to supplement their income.

Part-time jobs are an excellent way to learn new business skills and potentially jumpstart a new career.

Taxes have gone up over a 1000% since the 60’s. Surcharges are being added to an increasing number of products and services. There are not many items and services that don’t have a tax attached to it.

Bottom Line—Today's overworked parent is pursuing extra money by taking on part-time work. Money is the perceived reward but the amount of time and energy involved may strain family life.

Budget Tips—It takes money to make money: and lots of time. Unless you're willing to commit to your part-time business (money, education, working long hours and bucket loads of patience), it's not a venture you should enter in lightly. No one makes money easily (unless you win the lottery) and if you invest yourself in a part-time business, do it for the long haul. Its all about opportunity time—does the business make you miss time with your family or does the business allow you do more things with your family?

Fun Quote

I like work; it fascinates me. I can sit and look at it for hours.
Jerome K. Jerome

Fun Facts—The cost of COMIC BOOKS

This is a fun comparison for all the kids (now adults) who purchased comic books growing up. When you look at these changes, it really is true that 25 cents went a long way forty years ago.

1970—average comic book cost\$0.15

1975—\$0.25

1980—\$0.50

1985—\$0.65

1990—\$1.00

1995—\$1.50

2000—\$2.00

2005—\$2.50

2010—\$2.99

http://en.wikipedia.org/wiki/American_comic_book

Chapter 6

Debt vs. Savings

Our beagle gave a friendly bark as I reached into the mail slot and pulled out a stack of envelopes. *Are there any letters amongst these bills and flyers?* I groaned as I saw my credit card bill in the pile. *Is there some way to reduce our debt? From credit cards to line of credit, it seems that our family was drowning in monthly payments. Are most families like that?* Now more than ever, I was looking forward to this Saturday's discussion.

It was another wet weekend morning. I was beginning to think the ground was never going to dry out. My skin was definitely lacking in Vitamin D. I parked and ran from the car to my parent's front door. I was surprised when my wife answered the door.

"Cindy! I thought you and Julie had soccer practice this morning?" I was taken aback by her appearance and started to feel guilty for not including her in my Saturday morning talks.

"We did, but the indoor facility was shut down for maintenance and the outdoor fields were too wet. Besides, your Dad thought it was high time that I joined in on the conversations."

I love my wife. But I always considered her worse with money than me. Maybe I had made a mistake by excluding her from these talks.

“Are you going to join me for breakfast and listen to dad’s talk this morning?” I asked.

“I’m going to do one better. Your dad is going to let me talk on one of his sections!” We walked into the kitchen and I could see that everyone else had finished their breakfast.

“Hi Daddy!” my toothy four year old smiled at me as she finished her orange juice. “I’m going to help Nana fold the laundry.” My mom smiled as the two of them headed towards the basement. I sat down at the table.

“It seems like everyone is ahead of me today,” as I dived into my breakfast.

“Don’t take offense honey,” Cindy said as she sat at the table, “your dad felt it would be a good idea to involve the whole family since we’re talking about debt.”

“I defer to a superior opinion,” and waved to my Dad. He turned on his laptop and swung the screen to face my end of the table. I was impressed. “Is today’s talk going to be a PowerPoint presentation?”

“Not quite son. But I felt a few graphs might help drive today’s points home. Are you ready?” I wiped my face trying to remove the sticky syrup from the corners of my mouth. “Always. Can we summarize the topic?”

“You bet. Today’s topic will cover the differences between people today and my generation in relation to debt and savings.”

“Now dad, you’re not going to give me examples of the good old days when people hid money in their mattresses. I may not like my bank but at least I’m making some interest.” Both my dad and my wife looked at each other and smiled.

“Son—it’s like you read today’s itinerary. You have set us up perfectly.” The computer screen flashed to life.

“Today’s banks offer very low interest for your money. Unlike the eighties when interest was double digits, the interest rates today are fairly low. Once you factor in inflation, your money is pretty much earning you nothing in a bank.”

“But it’s worth the effort to save something for a rainy day.” I looked outside to see raindrops hitting the ground. “Well, not literally.”

“I agree but unfortunately, very few of us have money saved. When major events happen in our life, lose a family member or lose your job, we are not prepared. Most financial advisers recommend 4-6 months of saved income in case of emergency. Realistically, most of us live month to month—if an emergency happens, we most often dip into our credit cards or line of credit. And that’s fine until you have to pay it back.”

“Least it’s not a loan shark,” I tossed out.

“Not much better,” my Dad replied. “The interest will take you out at the knees. For example, on a \$1000 credit card bill—if you pay \$100 each month often you are paying mostly interest and very little principal. And they have you every month. At least with a loan shark, you know you are in trouble and do everything to pay the debt. Credit card companies and banks make it seem too easy.”

“And Billy, you may be making more money but we’re spending it just as quick. In the early 80’s the average household saved about 11%, thirty years later, people are saving less than 1%,” Cindy added while pointing to graph on the computer screen.

“Wow, sweetheart! I can see I’ve made a mistake by leaving you out of these Saturday meetings.”

“You certainly have,” she pretended to be offended.

“No fighting please,” my dad joked. “The problem with today’s generation...”

“Dad you sound like an old man,” I poked him for his cliché line.

“But I am son,” he deadpanned. “Everyone has started spending on their wants that have become their needs. Today you have a vast array of products that your mom and I would never have. And you want them now. One phone line was plenty for our family growing up. Now everyone has a phone line, a fax line, a cell phone, a blackberry etc. This love of technology comes at a price.”

“But I thought today’s topic was on debt?” I asked.

“It is, but excuse an old man from speaking his mind occasionally. Cindy, can you give Billy some stats on debt?”

“My pleasure. Today over 40% of families spends more than they make. In a 2009 North American study, the household debt-to-income ratio rose 2 points to 145 per cent. That means for every \$100 of personal disposable income, people are now carrying \$145 in debt. Back in 1990, by comparison, North Americans were carrying \$88.60 in debt for every \$100 of disposable income.

“Wow!” I exclaimed. “I guess I’m not alone in my debt. How much do we charge to our credit cards?”

“Well,” my lovely wife replied, “average households carry about \$8000 dollars of credit card debt. What starts as a few hundred dollars short for one month, say a car repair or broken furnace, becomes a monthly crutch.”

“But you can’t maintain that forever,” I interjected.

“And we don’t. Personal bankruptcies used to be an embarrassment. People were ashamed if they couldn’t handle their finances. Now it is common place—personal bankruptcies have doubled in the last decade alone.”

“That’s true. I know a couple of people that have had to start over. It’s hurt their credit rating and caused a few restrictions on their buying habits, but they seem to have moved on.”

“If you ask me,” my dad piped in, “the biggest problem is the way you pay for things has changed. Everyone joked with computers, that we would become a paperless society. With credit cards, debit cards, phone cards etc, plastic is your payment. I rarely see paper money.”

“Come on dad. Paper money is so yesterday.”

“Too bad. When I ran out of money in my wallet, I stopped spending. When you use your credit cards, debit cards, department store cards—you overspend.”

“I can vouch for that,” Cindy raised her hand and blushed.

“And that is a big reason why debt is so plentiful in our kid’s generation. Banks/credit card companies make it so easy for you. They want to get their hooks into you and don’t let go.”

“So dad, how do we stop this?”

“One step is to minimize the number of cards you have. The average cardholder has almost eight different cards! How many bankcards and credit cards do you need? And don’t get me started on the store cards. You may think you are getting a deal with a free gift to get a store card. Consider that the average credit card interest is just under 15%, you are definitely paying for it in the end.”

“Okay—makes sense. Fewer cards—fewer opportunities to rack up debt. How else can I cut down on my debt?”

“You have to pay the highest cards first. For some people that may not be possible. In that case, visit a lending institution and consolidate your debt. Pay everything off and get a bank loan with a much lower interest. A lot of people realize afterwards, how bad their situation is, having so many cards hid the magnitude of the problem.”

"I don't think Cindy and I are that bad," I replied and looked at Cindy who held a few credit cards in her left hand.

"I agreed with your Dad to look at paying off some of my store cards and having only one credit card. There really is no good reason to have so many cards and it actually gets confusing with the different payments."

"Wow," I looked at my Dad. "How did you do this? You know she would never listen to me."

"I think she just needed to hear it from an expert," my dad smiled.

"That one hurt," I replied and pretended to take a knife out of my back. "Okay so your advice sounds good but what if you're too much in the hole. What if your debt can't be paid back?"

"Well, we have discussed that personal bankruptcies have greatly increased while the stigma has decreased. But there are several factors one should consider before going down the road of bankruptcy."

"I'm all ears," I answered leaning forward.

"Consider contacting each one of your creditors to see if they are willing to settle at an amount less than the current debt. Although many companies are pretty committed to collecting the full amount, some debt holders may realize that you are offering something versus nothing if you go bankrupt. If you are a good negotiator, agreeing to pay 50 cents on the dollar owed may be the best deal for both of you."

"Will stores and credit card companies actually negotiate?"

"Some will and it's the old adage that you won't know until you try. You'll have to develop some thick skin though, some firms that won't negotiate with you, may come harder at you knowing your situation and send your debt to collection agencies."

"I hate those phone calls," I said.

“Take a hard look at your expenses. Do you need everything you make payments for? Some people buy a top of a line pickup truck that has high gas and insurance costs. A deal to get out the lease although difficult, could reduce your payments/insurance/gas costs with a lower end used vehicle.”

“I’m surprised by how many people I know who feel that these expenses are justified. That they’re worked hard and deserve the new vehicle or an expensive vacation.”

“I’m not going to argue with anyone on what they deserve. Lots of people work hard and deserve many things. The bottom line is that if you spend more that you make—no matter how many lines of credit or cards you try to hide it on—it eventually catches up with you. The power you have is whether to acknowledge it or not.”

“What else should I consider?”

“Do you have any assets? Cottages, family property, trailer, etc. If you do, bankruptcy may force you to sell these assets to pay off your debts. For some, losing a cottage to their creditors that has been in the family for several generations is not an option. The big question with bankruptcy is, are you willing to lose any assets that you can’t afford to make the payments? You may have to sell your boat to keep your house. ”

“Unfortunately most people don’t have many options to avoid bankruptcy. If they did, they would be in the situation to begin with,” my wife added.

“But what are the consequences of bankruptcy?” I asked.

“Well many consider it a fresh start but there are obviously some consequences that will affect you many years later. For starters, when you go leasing a car, buying a house, renting etc, the bankruptcy will appear on credit reports. Later in life, if you get accepted for credit, companies may charge you a higher interest rate since you’re a higher risk. Credit reports can last

up to ten years depending on where you live. This is going to effect your life many years later and isn't a decision anyone should take lightly or without some professional advice."

"Okay, I'm officially depressed. Can we move forward past bankruptcies towards something more uplifting?" I pleaded.

"We can move on but the topic may not lift your spirits. Let's move later in life and talk about family bequests."

"Whoa Dad! You're not trying to tell us something?" I asked.

"Maybe we should stop for today," Cindy was concerned.

"Relax. You're both jumping to the wrong conclusions. Let me elaborate. As someone entering their golden years, it's important for me to want to leave something for my children. Unfortunately, I'm seeing some unsettling trends."

"What do you mean?" I asked.

"Used to be, you worked hard for the same company for most of your life. You retired, had a decent pension and relaxed. Often you spent a little money on your grandkids and left something for your children when you passed on. Today that is not always the case. People are living longer but not cheaper. Your RRSP nest egg might not last if you live ten years longer. That means many parents are becoming a burden on their children. It could mean financial help or it could mean moving back in with your kids."

"Dad you know you and Mom are always welcome to live with us," Cindy commented.

"Thanks for the offer. We're fine besides I wouldn't want to torture my son."

"Dad!" I yipped.

"Just kidding son. But back to my concern. Young and old alike are feeling the effect of greater debt and less savings. Let me talk to you about the new trend of reverse mortgages."

“I’ve seen them advertised on television. That’s where you sell the equity in your house to the bank for cash in hand,” Cindy said proud that she knew what Dad was discussing.

“Well, I’ve not heard of them,” I said, “How do they work?”

“Well for seniors to supplement their income, the reverse mortgage is a cash advance on their home, repaid when they sell or pass away. You have to be aged 62 or older to qualify. Since this is a new product, there have been some dubious sellers. Many seniors who didn’t realize some of the high upfront fees involved and have been disappointed. Still under the right conditions, it may help a tough financial situation and let you stay in your home.”

“Are these reverse mortgages popular?” I asked.

“In the last five years, they have increased almost 200% and with the baby boomers, expect the numbers to climb. Seniors are increasingly fragile with few options—with lots of years of spending too much, nobody wants to be a burden on their family.”

“And you and Mom never will be,” I replied and gave him a big help.

“Ditto,” my wife Cindy replied.

“I think this topic hit home the most because every parent wants to be able to leave something behind to their children when they pass on.”

“I know you’ve given me something to think about,” I replied. “I want to be able to get over my debt so I can leave something behind to Julie.”

“Did you learn anything else?” Dad asked.

“Yes,” I looked at my wife. “Never leave your family out on making tough financial decision.”

“Here, here!” Cindy smiled.

Here is a summary of today's talk.

Debt vs. Savings

Less than 1% of families are saving money and over 40% are spending more than they make.

Households have an average of \$8000 in credit card debt and consumers have an average of 7-8 plastic cards.

The steps of bankruptcy have consequences, people must decide to use only as a last resort but bankruptcies have lost the stigma that they used to have.

Reverse mortgages are a way for seniors to provide some income for today but will leave less to their heirs.

Bottom Line—People use credit to keep debt under control but eventually the consequences catch up with you.

Budget Tips—They say you should pay yourself first but make sure creditors get paid early. You deserve your money most, why let creditors get rich off your inability to make payments?

Fun Quote:

If you think nobody cares if you're alive, try missing a few car payments.

Earl Wilson

Fun Facts—The cost of INCOMES

How much did income earners make in the 70's compared with today?

1970—average median income\$ 8700

1975—\$11800

1980—\$17700

1985—\$23600

1990—\$30000

1995—\$34100

1999—\$40000

2007—\$50700

<http://www.1970sflashback.com/1970/ECONOMY.asp>

<http://quickfacts.census.gov/qfd/states/00000.html>

Chapter 7

Culture of Cheap

As I pulled up to the shopping center parking lot, my first thought was that my dad had lost his mind. *Why did he want to hold this morning's meeting at a dollar store?*

The door opened for me and I looked down a few aisles to look for dad. The dollar store was huge, with at least thirty aisles that were stocked with every item from party supplies to toys to food. I walked around the store and stopped at the tool aisle. I reached for a screwdriver set and examined the price tag.

How do these stores make any money at these prices?

"Find something you like son?" I turned and saw my dad smiling as he carried a basket with items sticking out of the top.

"I have, but why are we meeting here today? Did Mom not want to make breakfast this morning?"

"Actually she's here as well. You know your mother—she loves to shop. And a store like this gives her an opportunity to buy a lot of things."

"Seriously Dad, why are we here?"

"Well today's topic is about the culture of cheap that society has become. People are more concerned with price than quality."

"How are low prices going to reduce my income?"

"Let's look at the big picture son. There are fewer downtowns where we go to places like a hardware store to

buy tools. Everything is a mega store in the suburbs with huge selections and low prices. Many of the small family run stores are gone—replaced with the warehouse style with 50 variations of the same item.”

“But if things cost less, then I have more money in my pocket at the end of day,” as I picked out a socket set.

“And that son is the mistake that everyone makes. When you fall for the allure of low-end merchandise, you trade in quality and craftsmanship. Everyone gets caught up in finding the bargain. Suddenly you find yourself with a basket full of items that you might not need but the deal was so sweet.”

Suddenly Dad had me second-guessing my socket set purchase.

“Let me get this right Dad. You’re telling me that because items cost less, I’m actually spending more money.”

“Hold that thought son. I have other information that I want to share first.” He signaled me to the end of the aisle to look at the cash registers. “Our culture of cheap bargains has many repercussions. The most obvious effect is that it has driven down wages. These bargain and mega stores pay lower wages to staff—before the days of discount bargains, staff were paid more and gave better customer service. You were spending more so you wanted more information before buying a product. Today’s era of disposable items has people buying with little thought of quality because they can always buy another one later.”

“You say that like it’s a bad thing. Everyone loves getting a deal, including me.”

“That’s fine as long as you understand the sacrifices that are being made. Low wages to work in these stores make it very difficult for single income families to survive. These jobs require a second income for a family to survive.”

“Hence the greater need for two income families instead of one in your day.”

“Exactly. And the impact is much greater than the shift to lower paying wages. Our search for cheap products has driven much of the manufacturing industry out of North America. We have hollowed out the middle class, for example, decent paying jobs with auto manufacturers have almost disappeared. Factory jobs that used to pay good salaries are sent to Asia or Mexico where the work can be done at a fraction of the price. We have ourselves to blame for having less income when we demand big box mega chains have bargain prices on their goods.”

“Okay so you’re telling me that by demanding this \$1.00 screwdriver, I’ve taken income out of someone’s salary.”

“In today’s global economy, we are paying the wages of developing countries labor forces to create disposable merchandise. Do you know the implications?”

“No, but I’ve got a feeling you’re going to tell me,” I answered.

“Well for starters, the cost to dispose our garbage is increasing exponentially. Do you know why our landfills are filling up at alarming rates? Some large cities ship their garbage hundreds of miles away because there is no place to dump it. Everyone contributes to the problem but no community wants a smelly landfill next to them to solve the issue.”

“Oh come on Dad, I recycle as much as the next guy.”

“Bottles and paper are only a small part of the problem. Think of how many products like old barbecues and sofas, computers and building supplies contribute to our landfills.”

“This is sounding more and more like a recycle campaign than a money talk Dad.”

“Well, here’s the kicker. Because we create more garbage that no one wants in their backyard, the expenses to ship it away

keep increasing. If you don't think that causes your local tax bill to increase, you're kidding yourself."

"Okay, I understand how cheaper products have decreased wages and helped increase our taxes to dump them. But shouldn't the cheaper products still be increasing my disposable income?"

"Good question son. The answer on the surface would appear to be yes. Prices on everything from clothes to food to appliances have actually gone down. But in 2000, a median family income (adjusted for inflation) has dropped by over \$1000 while expenses grew by almost \$5000."

"Whoa! If items cost less, how can our expense grow?"

"We demand bargains where bad products drive out the good. And guess what—we buy more of the bad products now than ever. We are not motivated by quality; we're motivated by price. I bet when Julie becomes a teenager that she'll buy cheaper shoes and will buy more of them, costing you more money overall."

"Dad at this rate you're going to send me screaming out of the store. Got any more bad news you want to share?"

"You couldn't set me up any better than that son. Look—what's down that aisle?"

"Looks like chips, pop, candy, packaged goods—some pretty good deals too."

"Exactly. Now if you went to a grocery store, do you think you could find comparable prices for carrots, lettuce and fruits?"

"No way! That stuff costs much more."

"Not all calories are priced the same. For example, \$1 can buy 1200 calories of potato chips and 875 calories of soda pop. But that same dollar only buys 250 calories of vegetable and 170 calories of fruit."

"No wonder kids pick junk food over a healthy choice."

“And that’s the problem. Many families are avoiding buying the staple foods like meats, fresh produce and dairy products because of the cost. The cheap food with empty calories is what more people eat because of its cost and convenience. And guess what, we eat more of it.”

“So we’re gorging on cheap foods?”

“Absolutely. What’s worse is the increase of children who are obese. Not to point fingers son but your generation is much fatter than ours. Kids are on average twenty pounds heavier than they were in the 70’s. The actual rate of obesity is about 25%. Today kids are consuming junk food as much as twice a week. 25% of kids eat it more than three times a week.”

“Is there a specific demographic of kids who are fatter than others?”

“Unlike other health issues, obesity is attacking the rich and poor, the young and old. This contributes to countless more chronic diseases from cardiovascular diseases, hypertension, liver disease and cancer. Diabetes is commonplace now and affects over 5% of the population. The health effects of a fatter society are tremendous and certainly contribute to our exploding health costs. People don’t realize that the dollar you save today by buying cheaper junk food is causing thousands of dollars in later health costs. You are literally paying for your unhealthy life style.”

“You’re scaring me Dad. I see more healthy options being offered at fast food restaurants and cafeterias—we must be getting better not worse?”

“Hard to say. We need to better educate society on the consequences of cheap eating, it may be years before we turn this trend around. When you’re young, you feel indestructible. When you become a parent, there is a good chance that you’ll adopt the same bad choices.”

“So cheap food is driving up our health costs?”

“Absolutely. Health care costs are outgrowing our budgets—many states and provinces have the health costs growing at 6% or more each year. If health costs keep growing at this rate, then we’ll have little money to deal with other important issues in our society such as education and infrastructure. What’s worse is the unnecessary health care needs our society is demanding. Do you know what a popular sweet sixteen gift for girls in the United States.”

“Since our conversation is about health care, I will hazard the guess it revolves around plastic surgery.”

“Unfortunately you’re right. Cosmetic surgery with breast implants is popular among teenage girls. Even though we had all boys, we would have never considered this option for a daughter, even if we had the money.”

“Well that’s not going to be even an option for Julie when she is sixteen.”

“I hope you’re right son.”

The two of us had moved away from the food aisles and had moved down an aisle with housewares. I read a tag that said ‘Made in China’ on a bottom a coffee mug.

“Okay so our pursuit of cheap has caused health costs to rise, driven down wages and made us fat. What else has it done to our culture?”

“It has changed the way we shop and spend our money. If you look at retailers today—you see two groups. The discount mega stores—high volume low cost or the specialized small store with high profit margin. Stores can’t survive in the middle ground and are becoming obsolete. Most of use can’t afford the high-end stores so the mega store is our place of choice.

“It’s true. Most of the groceries, electronics, clothes and household items we buy are in the big box stores.”

“Just go to one of the mega stores during a big sale. People go into a buying frenzy. How many of us buy items on sale that we normally might never buy at full price? We buy things in bulk to save money and then end of wasting part of it because there’s so much of it. One study showed that an average household wasted over \$500 a year of spoiled food.”

“You should see our refrigerator,” I offered.

“Bottom line, son, no one is immune to a bargain.” Dad and I walked to the cashier and placed our basket of items down on the counter.

“Not even us,” I replied as I pulled out my wallet.

Here is a summary of today’s talk.

Culture of Cheap

Mega stores have replaced the small retailer and consumers are increasingly making their buying decisions based on price.

To have cheap products, most manufacturing jobs have moved offshore.

Quality has been reduced and as a result we tend to buy more products expecting it to break down.

Buying cheaper food choice has lead to increase in diabetes and a fatter society.

Low prices doesn’t always cause to spend less, some spend more—driving up debt.

Bottom Line—Today's consumer are like junk food consumers, it never lasts, never satisfies and we keep buying more.

Fun Quote:

Junk is the ideal product...the ultimate merchandise. No sales talk necessary. The client will crawl through a sewer and beg to buy.

William S. Burroughs

Fun Facts—The top five costs for families

Two income families today spend three-quarters of their household incomes on five categories (which consumed only half the income of single-earner families a generation ago):

Housing: The cost for families with children has risen 100 percent in inflation-adjusted dollars since 1970.

Health Insurance: For a healthy family that has an employer-sponsored insurance plan, costs have risen 74 percent in inflation-adjusted dollars since 1970.

Cars: Families today spend 52 percent more on automobiles than in 1970, on an inflation-adjusted basis. Families are still spending more on this category because they typically need two cars to get to work.

Taxes: There's not much more certain in life than paying taxes—except that we are paying a higher percentage of our income than ever before. The tax rate for families has risen 25% since 1970.

Child Care: In 2007, fees in licensed centers ranged from \$10,920 a year for 4-year-old children to \$14,647 a year for infants. Annual costs of child care surpass the cost of food.

Number six is education both preschool and university followed by number seven, which is retirement planning.

Quoted from <http://finance.yahoo.com/expert/article/moneyhappy/81176>

Chapter 8

The Sheconomy

I bounded down the stairs enroute to going out the front door. Our beagle looked at me expectantly as if hoping for a chance to run wild. I opened the door and immediately put him on a lease so he couldn't get too far. I looked up in to the smiling faces of my parents.

"Hi Mom. Hi Dad. I was just about to drive over to your place."

"No need," my dad responded. "Today's session will be at your house." The two of them walked in as our beagle howled at a biker on the street. I followed them inside, a bit puzzled by the change in venue.

"You can say hello to the girls, they should be just heading out to soccer soon," I offered to my parents as they headed into the kitchen. I spied my wife at the stove frying up some bacon and I knew I had been had. Again.

"Nice of you to join us. It's not as good as your Mom's," my wife pointed to a plate of scrambled eggs," but it's hot."

"How come you and Julie aren't at soccer?" I asked.

"Silly husband," she answered. "Soccer's over, Julie starts gymnastics now and that's on Sundays."

"Maybe I have been spending too much time on finances," I joked. "How come everyone is here today?"

“Because today’s topic is one of the most important and will take all of us to discuss,” Dad answered.

“Well you have my attention,” I responded.

“Today’s topic is on how the role of women has changed from my generation,” my Mom started.

“To my generation,” my wife finished.

“Well I won’t be arguing how women’s role has changed but I’m not so sure how that reflects less income.”

“That’s why you are the student son, and we are the teachers,” Dad smirked.

“Then let’s start teaching,” I motioned to my mentors.

“Ladies first,” Dad signaled to my mom.

“Thank you dear,” Mom sat at the table and spun our laptop around, ready to show several illustrations. “Let’s begin with a description of what it was like when I was raising the three of you. The seventies were a liberating time and although most women didn’t work outside of the home, your father always encouraged me, especially as you boys got older.”

“I’m a liberal man, what can I say,” Dad beamed.

“At the time, I relished my role in the household. You boys were a fulltime job and then some, so it wasn’t until you left for college that I decided to spend my time volunteering rather than employment. However, your father was the primary breadwinner and made most of the financial decisions of the household—from the purchase of our car, the home and our vacations.”

“Flash forward to today,” my wife continued the conversation, “it’s been studied that women make about 85% of the buying decisions and are the chief purchasers of their households.”

“Say what!” I exclaimed. I reviewed our family expenses in my mind and suddenly realized that the statistic rang true. “How has this happened?”

“One of the main reasons is that the ratio of women entering the work force has drastically changed. As North America has moved away from manufacturing jobs to service jobs, women are poised to take more jobs.” She pointed to a graph on the computer screen. I blinked at the numbers.

“Wait a second. According to your stats, after the Second World War, only 10% of married women worked in the workplace. Now you’re telling me almost 50% of the workplace are female?”

“Add to the fact that in 2010, for the first time ever, women should outnumber men in the workplace,” my wife added. “Companies are already switching their focus from marketing to males to females from everything from auto repair to computer purchases. Did you know that in the National Football league, females make up 44% of the fans.”

“Is nothing sacred?” I cried.

“It’s the blurring of job roles that has impressed me the most about Cindy’s generation,” my Mom said. “It used to be that fewer than 10% of doctors and lawyers were female. Nowadays if you look at graduating classes, it’s closer to a 50/50 mix. There are fewer male and female dominated jobs.”

“Well many engineers are male,” I pointed out.

“And many nurses are still female,” my Mom added, “but the point we’re trying to make that even in these fields the gap is decreasing. With less physical labor required in today’s workforce, it is a much leveler playing field. Females get to share in the spoils of professional jobs.”

“And we also get to share the burden of stress of today’s jobs,” Cindy mentioned.

“Okay—I agree—more and more females are entering the workplace and the typical gender role is changing. But what does that have to do with us having less money,” I asked.

“Be patient son, listen to all the information and the answer will come to you,” my Dad suggested.

“A lot has changed since I married your father, most wives stayed at home to look after the family. Now only 30% of families have a stay-at home parent and it is not unusual for that to be the male.

“Let me add,” Cindy pointed out, “in 2009, 40% of women are the primary breadwinner.”

“Don’t remind me,” I acknowledged, knowing my wife made more money than me.

“And we have come a long way, there’s no doubt of that. If someone told me how different women’s role in society would become, I don’t think I would have believed them,” my Mom mentioned.

“Well I’m not ready to raise the victory flags just yet,” Cindy pointed back at the laptop showing a pie chart. “In the 70’s, women earned about 58 cents on the dollar on average for the same role and work as a male.”

“There must be progress on that—most of the women I work with earn the same wage,” I inquired.

“Some,” Cindy replied, “today women earn about 77 cents on the dollar as men in the same role. Good progress but a long way to go yet for equal treatment.”

“I can’t argue with Cindy’s analysis but I will mention some other areas that women have made gains,” my Dad mentioned.

“Are you sure you want to wade into this?” I asked.

“Absolutely,” he answered. “Today’s women are internationally noticed in athletics, receiving press coverage on increasing levels. Scholarships have risen significantly for females for a variety of university sports—unheard when I was in university.”

"I agree with Dad. In sports and the Olympics there seems to be an almost equal number of events for females and males."

"Not every event," Cindy added. "We still have a few hurdles to cross. I noticed that the female ski jumpers were denied competing in the last winter Olympics."

"Agreed," Dad responded, "but many female sports coverage in sports such as hockey, soccer and basketball are becoming mainstream. Who would have thought that women basketball would have a national audience where males and females would watch?"

"No offense Dad," Cindy chimed in, "but the salaries in women's basketball and men's are miles apart. A minor male basketball star can often make more in a couple years than a female could her whole career."

"Very true," my mother said, "but when I was young, females wouldn't even have considered sports a career. Perhaps in the next generation, wages will become more equal."

"Hey, I'm a big fan of tennis and I'll admit women's tennis is often more exciting than men's. I bet their comparable incomes with sponsors aren't as far apart."

"Good illustration Billy. There are definitely some sports that have made greater inroads to female equality than others," Cindy said. It was then that I got an idea.

"Okay—I think I see the point you are trying to make. Women have an increasingly larger role in the work place and society as whole."

"Wow, you're just getting that now?"

"Mom!" I exclaimed.

"Just kidding, I'm sure you brothers would need at least another fifteen minutes before the message would sink in."

“Well don’t give me too much credit. So if women have larger role in the workforce, they are making more income and have a greater say in how to spend it.”

“Bingo,” Cindy responded.

“But I don’t see the problem. More money and another person responsible to spend it, we should be saving money.”

“That’s if the world had stayed the same way as my generation, Billy,” Dad said. “Unfortunately, we’ve talked that costs from everything from houses to cars to childcare to education have more than doubled. Unfortunately your second income isn’t enough to catch up.”

“So what you’re saying is that I need another wife for a third income?”

“Billy!” all three yelled in unison.

“I’m just looking for answers,” I smirked.

“I bet,” Dad answered. In some ways, you’re not that far off.” My Dad received two angry looks from my Mom and Cindy. “Let me finish,” he said.

“Yea, let him finish,” I said with more confidence until a glare from Cindy made me squirm in my chair.

“Some families in large cities with high household costs have made different arrangements. Many homes have become multigenerational places where one couple lives in part of the house and another lives in a second part. Sometimes they share kitchens or laundry, others are self-contained. More people take tenants to help afford a house that they could never afford on there own.

“Okay,” Cindy smiled, “you took that in a different direction than I thought you would.”

“Whew!” I mockingly wiped my brow.

“The other point that is being left out is that women have more power on how the finances are spent.”

“You’re right Cindy. When I was looking after the boys, my concern was a house budget to take care of their needs,” Mom said. “Today’s woman can make decisions on the 2nd car, the vacation, renovations to the house and guess what?”

“What?” we answered.

“Two income earners probably spend more than one person making the same individual income. I’m sure the two of you don’t agree on everything?” my mom asked.

“It’s starting to look like I should be agreeing more,” I smiled back to Cindy as she closed the laptop.

Here is a summary of today’s talk.

Women’s changing role

For the first time in history, women are about to outnumber men in the workplace.

There is a blurring of roles, there are fewer male and female dominated jobs. Women are filling many traditional high paying professional jobs.

40% of primary breadwinners are female but still earn less than their male counterparts in the same role.

Sports are a very public media where the importance of female athletics has increased all the way from children sports to university to professional.

The second salary has not kept pace with the rise of other expenses. Two equal financial partners have more difficulty making financial decisions that appease both of them.

Bottom Line—Women have a deservedly increased role in family expenditures but society costs have risen more than their added family income.

Budget Tips—Learn to share responsibility on costs. With two breadwinners, you have to make financial choices that you both can afford. In single income homes, the stay home spouse deserves input in those decisions as well, just because their work doesn't pay a salary—it saves the household.

Fun Quote:

Here's all you have to know about men and women: women are crazy, men are stupid. And the main reason women are crazy is that men are stupid.

George Carlin

Fun Facts—The cost of INFLATION

Inflation eats away at our dollars making something that costs a dollar today cost two dollars into the future. Inflation is the upward movement of prices, the value of your dollar falls when you can't buy as many goods for the same price. Ever notice that a meal at a fast food restaurant isn't so cheap anymore? Thank inflation.

In simple terms, if inflation is 2-3% annually and you work at the same job for ten years with no pay increases, you will be making less money. Low income families and retirees can be particularly hard hit.

On an inflation-adjusted basis, the cost of food, clothing, appliances, electronics, and automobiles has gone down. The cost of houses, taxes and childcare have greatly outpaced inflation.

How will INFLATION affect your children's income?

Quoted from

<http://www.msnbc.msn.com/id/13300931/>

http://www.bankofcanada.ca/en/rates/inflation_calc.html

Chapter 9

Graduation

“Son you shouldn’t have!” my Dad exclaimed as the waitress filled his coffee cup.

“A deal is a deal Dad. And frankly you delivered. All of you.” I looked at my Dad, Mom, wife, and daughter. I promised them all a big breakfast for the knowledge they provided—and I aimed to deliver. I put down my menu as we sat in a big family booth at our favorite breakfast restaurant.

“Dad I can’t thank you enough. The talks you have given over these Saturday mornings have really helped. You have gone out of your way to get family and friends to help teach me. All of them have helped explain why my finances are the way they are. And better yet, you helped show me that the solutions come by involving my family with the problems.”

“So tell us Billy, do you think you have solved your issues with money?” my Mom asked.

“Not exactly. Our talks have given me a better appreciation of how the family dynamics have changed. I can’t compare myself to family costs in the past. Costs are different now, comparing myself to how things we’re done in past generations is a wasteful exercise.”

“Billy, are you saying that you can’t change anything?” my wife asked.

“Definitely not. All of you has given me a better understanding of our buying habits as a family and as a society as a whole. Certain things that I considered necessities, I can see in a different light. Although I can’t change the decisions our society has made, I can change decisions that my family will make.”

“Now how about educating us on what those changes will be?” my Dad asked with interest.

“Wow. I feel like I’m taking my final test,” I laughed.

“Well, I’d hate to see you not graduate,” my Dad teased.

“Ok, here I go. Number one—learning to attach importance to what is important for my family and me. You can spend lots of money or no money and be unhappy. Times are more complicated and with so many choices, we tend to spend a lot more money. It’s time for me, for us,” as I motioned across the table, “to be responsible and make educated choices about the money we spend.”

“So what does that mean?” Cindy asked. “Are we giving up our trip to Disney world?”

“Probably not. But I am suggesting that we have to decide what spending is most important in our lives. If Disney is our priority then some trips that we take during the summer may have to be shortened or delayed. Or some renovations we had planned for the house might have to change. Or that new dishwasher you wanted...”

“Billy—you promised!” my wife yelled.

“I know and we’ll do it, but not everything on our list is going to get done with the money we earn. We need to educate ourselves on the different options available. Spending money wisely is about making the right choices.”

“I need to write all of this down. Does anyone have a notepad?” my Dad joked pretending to write on his napkin.

“Number 2,” I winked at his comment and continued, “is about setting limits. How much do we need to spend on vacations, on groceries, on clothes? We tend to want something and buy it, facing the ramifications when we fail to pay off our credit cards.

“Am I sensing the B word?” my Mom asked.

“Budgets shouldn’t be a dirty word. If we tracked our costs each month and compared them to our salary, would it be over?”

“Why are you looking at me?” Cindy asked and turned her head in mock disgust.

“We may want everything but most of us can’t afford everything. We have to compromise our buying habits and stick to what we earn. It should be pretty simple to only spend what we can afford, but many of us—myself included—want everything now. There is little delayed gratification in society to day. But we tend to spend less and appreciate it more when we work harder to buy something. Bottom line, budget what you can spend and stick to it.”

“Son, I feel like you could take on these talks yourself now.”

“I had a good teacher, Dad. And I’m not done yet.”

“Oh, is there a number three?” my Mom asked.

“You know me too well,” I smiled. “Number 3 is to stop acting like a victim. Too many of us whine about our situation and procrastinate about fixing the problem. People over eat, people over spend, people smoke and yet the results of our mistakes are easy to see.”

“It’s true,” Cindy commented. “If I learned one thing from these talks is that the answers aren’t difficult or even new.”

“True enough dear. The solutions are quite easy; finding the motivation to follow thru is hard. But looking ahead at where these decisions are taking us is very sobering.”

“All right dear,” my Mom commented. “To follow up something you did with your father, let me sum up your points.”

“You have the floor,” I motioned.

“Make educated choices, set limits on what you can spend and start taking charge of those decisions today.”

“Couldn’t have said it better myself,” I smiled.

“Well, before we start breakfast, we must have a small ceremony.”

“Ceremony?” I asked. My Dad pulled out an envelope and reached inside. A sheet of parchment paper with a seal came sliding out.

“A diploma?” I asked incredulously. I looked at a beautiful computer generated certificate. “Wow! And I got all of this and free waffle breakfasts as well.”

“Thank your mother, son. She’s the graphic artist. Besides we wanted to give you something substantial to remember our talks by.”

“No worries there, Dad. I’m really looking forward to taking control of our situation. You have given me some information to make some changes. And trust me, after staring at our bills for the last few years, I feel very motivated to make those changes.”

“And what are you motivated to do right now?” my Dad said.

“I’m motivated to order a stack of waffles. They’re not Mom’s but they’ll have to do.”

And we all laughed together.

Statistics Breakdown

The statistics listed in this book are a mix of Canadian and American websites and magazines. Both countries had similar trends and one could argue that there are many other similarities in Europe and other industrialized countries.

The essence of the statistics is to put into context the points being made in the book. They are not absolute. Any good researcher could find statistics with different amounts or perspectives. You can find faults with any statistic gathered but the point being made is this: the sites and articles listed helped shape the discussion in this book.

It's important not to take any statistic at face value, but hopefully it helped make you think about the topic being talked about. If the statistic provoked further discussion, then its inclusion is a successful tool.

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